

AGENDA

Audit Committee

**Friday, 24 September 2021 AT 10:00
In the Council Chamber, Civic Centre, Carlisle, CA3 8QG**

APOLOGIES FOR ABSENCE

To receive apologies for absence and notification of substitutions.

DECLARATIONS OF INTEREST

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any items on the agenda at this stage.

PUBLIC AND PRESS

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

MINUTES OF PREVIOUS MEETINGS

5 - 20

To note that Council, on 14 September 2021, received and adopted the Minutes of the meetings held on 8 July and 28 July 2021. The Minutes will be signed by the Chair.

(Copy Minutes in Minute Book 48(2) / herewith).

PART A

To be considered when the Public and Press are present

	<u>MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL</u>	21 - 42
	The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 3 June, 15 July and 26 August 2021 are submitted for information. (Copy minutes herewith).	
	<u>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</u>	43 - 66
	Grant Thornton to present a report updating the Committee on progress in delivering their responsibilities as the Council's External Auditors. (Copy report herewith).	
A.3	<u>INTERNAL AUDIT PROGRESS REPORT 2021/22 (JULY TO SEPTEMBER)</u>	67 - 78
	The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between July and September 2021/22. The report also includes information on progress against the agreed Audit Plan, performance indicators and previous audit recommendations. (Copy report RD.39/21 herewith).	
	The undernoted Final Audit Reports are submitted for consideration:	
A.3(i)	<u>Internal Audit Report - Community Services</u>	79 - 96
A.3(ii)	<u>Internal Audit report - Third Sector Grant Funding (VFM)</u>	97 - 110
	(Copy Reports herewith).	
A.4	<u>TREASURY MANAGEMENT: APRIL TO JUNE 2021</u>	111 - 124
	The Corporate Director of Finance and Resources to submit a quarterly summary of Treasury Management transactions for the first quarter of 2021/22. (Copy report RD.34/21 herewith).	

A.5 TECHNICAL UPDATE AND CONSULTATION RESPONSES

**125 -
138**

The Corporate Director of Finance and Resources to submit a report providing an update on technical issues and consultations on financial and auditing subjects.

(Copy report RD.38/21 herewith).

PART B

To be considered when the Public and Press are excluded from the meeting

B.1 OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS (ICT)

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Members of the Audit Committee

Conservative - Mrs McKerrell, Meller (Chair), Mrs Mitchell, Morton, Mrs Finlayson (sub), Lishman (sub), Shepherd (sub)

Labour – Birks, Patrick (Vice Chair), Atkinson (sub), Dr Tickner (sub)

Independent - Bomford

Enquiries, requests for reports, background papers etc to:
committeeservices@carlisle.gov.uk

AUDIT COMMITTEE

THURSDAY 8 JULY 2021 AT 10.00AM

PRESENT: Councillors Birks, Bomford, Mrs McKerrell, Meller, Morton, Patrick and Shepherd (as substitute for Councillor Mrs Mitchell)

OFFICERS: Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Financial Services Manager (Deputy S.151) and Designated Head of Internal Audit
Principal Auditor

ALSO

PRESENT: Director, Audit (Grant Thornton)
Councillor Ellis, Deputy Leader, and Finance, Governance and Resources
Portfolio Holder

AUC.21/21 APPOINTMENT OF CHAIR

It was moved and seconded that Councillor Meller be appointed Chair of the Audit Committee for the 2021/22 Municipal Year.

It was moved and seconded that Councillor Patrick be appointed Chair of the Audit Committee for the 2021/22 Municipal Year.

Following voting, it was:

RESOLVED – That Councillor Meller be appointed Chair of the Audit Committee for the 2021/22 Municipal Year.

Councillor Meller thereupon took the Chair.

AUC.22/21 APPOINTMENT OF VICE-CHAIR

It was moved and seconded that Councillor Patrick be appointed Vice-Chair of the Audit Committee for the 2021/22 Municipal Year.

RESOLVED – That Councillor Patrick be appointed Vice-Chair of the Audit Committee for the Municipal Year 2021/22.

AUC.23/21 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Mrs Mitchell.

AUC.24/21 DECLARATIONS OF INTEREST

In accordance with the Council's Code of Conduct the following declarations of interest were submitted:

Councillor Mrs McKerrell declared a Disclosable Pecuniary Interest in respect of item A.5 – Internal Audit Progress 2020/21 (March – June) – Internal Audit Report – Business Grants Covid 19 (Fraud). The interest related to her business being a recipient of a grant.

Councillor Birks declared a Registrable Interest in respect of item A.5 – Internal Audit Progress 2020/21 (March – June) – Internal Audit Report – Business Grants Covid 19 (Fraud). The interest related to her being a Trustee of Currock Community Centre which had received a grant.

Councillor Patrick declared a Registrable Interest in respect of item A.5 – Internal Audit Progress 2020/21 (March – June) – Internal Audit Report – Business Grants Covid 19 (Fraud). The interest related to her being a Trustee of Morton Community Centre which had received a grant.

AUC.25/21 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.26/21 MINUTES OF PREVIOUS MEETINGS

RESOLVED – 1) To note that Council, on 27 April 2021, received and adopted the minutes of the meeting held on 15 March 2021. The minutes were signed by the Chair.

2) That the minutes of the special meeting held on 20 May 2021 be agreed.

AUC.27/21 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 1 April and 30 June 2021 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 1 April and 30 June 2021 be noted.

AUC.28/21 AUDIT FEE LETTER 2020/21

The Director, Audit (Grant Thornton) presented the Audit Fee Letter 2020/21, informing Members that the City Council's proposed fee for 2020/21 was £66,733. The report contained sector updates; information on changes to the scale of fee; the key drivers for changes to the fee including the new Value for Money code parameters (VFM) moving towards a full review approach. The Director, Audit (Grant Thornton) noted that there had been an increase in fees across all public sector audits and that there were no local risk factors in respect of Carlisle City Council. Verification processes were still to be completed in respect of the fee.

An overview of the Redmond Review findings was provided and the Director, Audit (Grant Thornton) advised that the Ministry for Housing, Communities and Local Government (MHCLG) recognised the additional financial burden to local authorities as a result of the increased fees, and had allocated additional funding to Councils to help address this. Details of the allocation the Council would receive were not yet known.

In considering the Audit Fee Letter 2020/21, Members raised the following questions / comments:

A Member considered the increased fee to be a positive development as it would lead to a wider perspective and greater detail in respect of external auditing, she welcomed the change.

Did the Council have insurance coverage in relation to the competence of external auditors and the repercussions of findings made?

The Director, Audit (Grant Thornton), confirmed that within the Council's external audit contract there was a limited liability insurance of £2M.

In response to a question from a Member regarding the level of allocation from MHCLG in respect of audit fees, the Financial Services Manager confirmed that details were still awaited.

RESOLVED – That the Audit Committee noted and received the Audit Fee Letter 2020/21.

AUC.29/21 DRAFT STATEMENT OF ACCOUNTS 2020/21 – UPDATE REPORT

The Financial Services Manager (Deputy S.151) presented report RD.17/21 which provided a summary of the progress on the 2020/21 accounts and set out the outstanding work requiring completion prior to the publication of the draft accounts for 2020/21. It was anticipated that the Draft Statement of Accounts would be submitted to the 28 July 2021 meeting of the Committee.

Enhanced requirements in respect of ISA540 – Auditing Accounting Estimates and Related Disclosures, required auditors to understand and assess an entity's internal controls over accounting estimates. The Financial Services Manager (Deputy S.151) advised that the Draft Statement of Accounts were prepared with a significant degree of estimation in the following areas: Land and Building Valuations; Investment and Property Valuations; Depreciation; Fair Value Estimates (Financial Instruments and Investment Property); Pension Valuations; and, Provisions – Business Rate Appeal Provisions, Bad Debt Provisions.

A summary of estimates had been prepared for Grant Thornton (Appendix A) to the report, it detailed the areas of estimation and method/model used to make the estimate. The Financial Services Manager (Deputy S.151) indicated the areas where external experts had been used (Land and Building Valuations and Pension Valuations). He noted that they had been used by the Council previously to prepare estimates and that there had been no significant methodological changes detailed in the underlying assumptions.

In considering the report Members raised the following questions / comments:

In respect of estimates relating to property valuations was the short term and long-term position of any given property taken into account?

The Financial Services Manager (Deputy S.151) confirmed that accounting estimates factored in the state of a property at a given time. Using the Sands Centre Redevelopment as an example, he explained how a property under development would be recorded in the Statement of Accounts.

Was the Local Government Pension Scheme a Final Salary Scheme?

The Financial Services Manager (Deputy S.151) responded that in 2014 the Scheme had been amended to a career average format.

A Member thanked the Financial Services Manager (Deputy S.151) for the concision and clarity of his report which had assisted her understanding of the use of estimates in the preparation of the Accounts.

The Financial Services Manager (Deputy S.151) thanked the Member and emphasised the importance of the Committee understanding the estimates process.

The Chair thanked Officers for the training provided to Members the previous week on the use of estimates which had been very useful.

RESOLVED – 1) That the Audit Committee noted the current position on the Draft Statement of Accounts 2020/21 (RD.17/21).

2) That the Committee had been appropriately briefed on how accounting estimates were used in the preparation of the Statement of Accounts.

AUC.30/21 TREASURY MANAGEMENT OUTTURN 2020/21

The Financial Services Manager (Deputy S.151) submitted the Annual Report on Treasury Management (RD.07/21), as required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management.

The Financial Services Manager (Deputy S.151) highlighted, in particular the very good rate of return the Council had received on its investments, notably from the CCLA property fund and Bank of Scotland, both of which had provided returns above the current base rate. The Council's treasury advisors had commended the Council on realising such returns.

The Executive and the Business and Transformation Scrutiny Panel had considered the matter on 2 June and 3 June 2021 respectively and the decisions were set out in Minutes EX.48/21 and BTSP.41/21(c)

In considering the report Members raised the following questions and comments:

A Member congratulated Officers on the level of investment return achieved. She asked how rates of Council Tax collection had fared in the context of Covid 19?

The Financial Services Manager (Deputy S.151) noted that whilst collection rates had remained above 90%, they were below the target of 97%. However, as restrictions eased collection levels had begun to return closer to levels seen in the 2019/20 financial year.

Another Member noted that over the past year the Council had taken a gentler approach with debtors, she asked how they had responded to the Council reinstating its usual debt collection procedures.

The Corporate Director of Finance and Resources confirmed that a 'soft' approach to recovery had been implemented in the 2020/21 year. Since the return to usual debt collection practices no detrimental comments had been received as debtors accepted the need for them to make payment. For those experiencing difficulties paying, Officers would seek to agree appropriate terms for repayment. Council, at its meeting of 20 July 2021, would be asked to agree an earmarked reserve for Council Tax hardship funding.

RESOLVED – That Report RD.07/21 be noted.

AUC.31/21 INTERNAL AUDIT PROGRESS 2020/21 (MARCH – JUNE)

The Principal Auditor submitted report RD.10/21 providing an overview of the work carried out by Internal Audit since the previous Audit Committee (15 March 2021) to June 2021.

Eleven full audit reviews had been completed and were provided for consideration by Members: Debtors; Economic Development Major Funding – Governance; Homeless Accommodation (Part 2); Payroll; Electoral Registration; Environmental Strategy Baseline (Follow-Up); Business Grants Covid 19 (Fraud); Housing Benefits (including Revenue recovery); Driver Checks (Follow-Up); ICT Various Recommendations (Follow-Up).

In terms of risks, the Principal Auditor reported that findings from the individual audits would be used to update risk scores within the audit universe. All audit recommendations would be retained on the register of outstanding recommendations until Internal Audit was satisfied that the specific risk exposure was being managed.

RESOLVED – That the Audit Committee noted the progress on the 2020/21 Audit Plan as detailed in Report RD.10/21.

The Principal Auditor then outlined, in some detail, each of the above-mentioned audits in turn highlighting, in particular, the context; key points; and associated recommendations.

Members considered the following individual completed audit reviews:

Debtors

A Member commented that it was good to see service coming out of Covid 19 positively, she further commended the introduction of electronic invoices.

In response to a question from a Member, the Financial Services Manager (Deputy S.151) confirmed that recommendation 1 had been completed.

RESOLVED - That the Final Audit - Debtors report be received.

Economic Development Major Funding – (Governance)

In relation to recommendation 4 (para 5.1.7), a Member noted that at the Business and Transformation Scrutiny, Officers had provided assurances that the risk registers were kept by each department. Furthermore, the Scrutiny Panel had set up a Task and Finish Group which had recommended the use of KPI's on all major projects covering areas such as budgetary controls and time targets. She was concerned to see this recommendation and sought assurance that project managers were not completing risk registers in isolation.

The Corporate Director of Finance and Resources advised that a number of projects covered in the audit were supported by external funding streams, as such there would be quarterly output reports to the funding body. She undertook to liaise with the relevant Director on the matter of the reporting of internal KPI data.

The Principal Auditor noted that in relation to the first part of the recommendation he was assured that risk was being appropriately managed, but that data could be further developed within the risk register and that Internal Audit were encouraging Officers to share risk registers with wider audiences.

Regarding the reference in paragraph 5.1.4 to “...*a dedicated resource for writing Power BI reports.*” a Member asked whether that resource would be software or an Officer?

The Principal Auditor advised that it was anticipated that the additional resources would comprise both software and Officer resource.

The Corporate Director of Finance and Resources added that the Executive, on 5 July 2021, had made recommendations in relation to additional funding for the Borderlands Project Management Office which would be considered by Council on 20 July 2021.

A Member proposed that the minute excerpt relating to the Audit Committee's consideration of the internal audit of Economic Development Major Projects (Governance) be sent to the

Business and Transformation Scrutiny Panel for it to consider as part of its Task and Finish Group work on KPI's. The committee indicated its assent.

RESOLVED 1) That the Final Audit Economic Development Major Funding – (Governance) report be received.

2) That the minute excerpt AUC.26/21 Internal Audit Progress 2020/21 (March – June), Economic Development Major Funding – (Governance) be forwarded to the Business and Transformation Scrutiny Panel for it to consider as part of its Task and Finish Group work on KPI's.

Homeless Accommodation (Part 2)

A Member expressed concerns that supervision meetings with staff had not been formally recorded, she sought confirmation that the support had been provided, and suggested that the matter be referred to the relevant Scrutiny Panel.

The Corporate Director of Governance and Regulatory Services assured the Committee that supervisions had taken place and during the lockdown period that support had actually increased. However, the impact of Covid restrictions and the additional requirements it placed on the service had created issues with the formal recording of those supervisions.

In terms of referring the matter to a Scrutiny Panel, the Corporate Director advised that were Members to require further assurance as a result of the internal audit findings it was a matter for this Committee to consider.

The Principal Auditor added that the audit assurances that the supervisions had taken place, just that they had not always been documented.

The Member asked a further question regarding the provision of fire alarms in rooms at hostels and drug disposal procedure.

The Principal Auditor advised that those areas had not formed part of the internal audit.

RESOLVED – That the final audit report – Homeless Accommodation (Part 2) be received.

Payroll

A Member asked, given Council staff had been working from home, what measures were in place to protect individual's data used by the service.

The Principal Auditor responded that most staff, including payroll were working electronically, so hard copies of data were not ordinarily taken home. As part of the audit work questions were asked in relation to how data was collected and stored, and staff were advised not to leave personal information on desks at home.

The Chair noted that in November 2020 the Payroll team had moved from the Finance and Resources directorate to Community Services, he asked what had prompted the change.

The Corporate Director of Finance and Resources explained that the move had been agreed by the Senior Management Team as the Revenues and Benefits team had become part of her directorate. The payroll team was a part of the HR and Payroll team and were now managed day to day by the Deputy Chief Executive. She advised that as part of her S.151 duties she maintained an overview of payroll function.

RESOLVED – That the final audit report – Payroll be received.

Electoral Registration

A Member queried the implementation date for recommendation 7, as she considered it to be too long a time.

The Principal Auditor responded that a separate registration with the Information Commissioner's Office for the Electoral Registration Officer was a medium level recommendation and therefore was not a high risk. The matter may be actioned before the implementation date.

The Chair asked if portacabins were used only when needed by the service?

The Corporate Director of Finance and Resources confirmed that in normal years 17 portacabins were used, but this had been increased as a result of Covid restrictions. She further set out which elections the Council was able to recoup the cost of portacabin hire for.

A Member commended the Officers in Electoral Registration for their excellent work in delivering an election in the context of Covid 19 restrictions.

RESOLVED – That the final audit report – Electoral Registration be received.

Environmental Strategy Baseline (Follow-Up)

A Member asked for further detail on the baseline data values accuracy.

The Principal Auditor explained that there were defined methods for calculating carbon emissions, as some data was yet to be input it was possible that it may contain minor deviation(s).

The Member thanked the Officer and looked forward to a further update on the matter.

RESOLVED – That the final audit report – Environmental Strategy Baseline (Follow-Up) be received.

Business Grants Covid 19 (Fraud)

Councillor Mrs McKerrell, having declared a Disclosable Pecuniary Interest in the item of business, removed herself from the Chamber and took no part in the discussion nor determination of the matter.

A Member asked if a business had been overpaid a grant, by earning more than it had expected, how would those monied be recovered?

The Principal Auditor responded that as the grants were for a set amount no recovery would take place other than in the event of fraud being detected or where a business had not been eligible for the grant.

The Corporate Director of Finance and Resources noted that there were a number of business grants schemes offered by government which the Council disbursed the funds for. Were profit and loss to affect the award given the matter would be addressed by HMRC.

With reference to paragraph 5.2.4 of the report, Members asked whether the fraudulent applications had been registered on the national fraud database and reported to the Police?

The Principal Auditor confirmed that the information had been fed into the national fraud report but that the matter had not been pursued with the Police as no actual loss had been incurred and therefore it was difficult to prove fraud.

RESOLVED – That the final audit report – Business Grants Covid 19 (Fraud) be received.

Councillor Mrs McKerrell resumed her seat.

Housing Benefits (including Revenue recovery)

A Member asked if recommendation 3, which had an implementation date of 30 June, had been completed?

The Principal Auditor noted the medium recommendations were followed up six months after the completion of an audit. In the event of recommendation being completed prior to that, service managers were encouraged to advise the internal audit team.

The Chair asked whether the quarterly performance report to the Executive compared the service against national data?

The Principal Auditor confirmed that the reports compared data to internally agreed service standards.

In response to a question from the Chair on appraisals, the Corporate Director of Finance and Resources advised that the process was under review across the organisation and whilst amended working practices as a result of Covid 19 may have delayed some, she was confident that regular meetings had taken place with staff and managers.

RESOLVED – That the final audit report – Housing Benefits (including Revenue recovery) be received.

Driver Checks (Follow-Up)

In relation to recommendation 1, a Member asked if the i-Trent software could be used?

The Principal Auditor understood that the recommendation had not been actioned and that the services was considering ways of generating electronic auto-reminders. The Council's contract with i-Trent was currently being reviewed and it was understood that the software had the requisite functionality to provide that service.

A Member commented that she was pleased to see the progress detailed in the report. Regarding recommendation 4 that proposed Elected Member checks be carried out on a voluntary basis, she stated that she was keen to see Councillors involved in the process.

The Corporate Director of Governance and Regulatory Services acknowledged the Member's view. He noted that Officers of the Council were employees, but Elected Members were not, as such the Council had no powers to instruct a Member to travel anywhere on its business; Members travelled on their business as Elected Members. Therefore, it was not necessary for Members to be included in the process.

The Member responded that as Members were able to claim mileage expenses it was perhaps reasonable to ensure that they held a driving license.

The Corporate Director of Governance and Regulatory Services advised that a Member may claim mileage for a journey where they had not driven the vehicle.

RESOLVED – That the final audit report – Driver Checks (Follow-Up) be received.

ICT Various Recommendations (Follow-Up)

A Member requested that a further review be carried out as part of the coming year's work and that the ICT Manager be invited to a future meeting of the Committee to help Members further understand the risks associated with the audit findings. Another Member agreed the proposal.

The Principal Auditor confirmed a follow up with the service was planned in the coming year, furthermore he would liaise with the ICT Manager about attending a future meeting of the Committee.

A Member asked to what extent Councillors posed a risk of compromising the Council's IT network.

The Principal Auditor responded that any person with access to the Council's systems may potentially compromise the network, particularly if they were not up to date with the latest phishing attacks. As Councillors may be emailed by anyone it was possible they presented a greater risk.

The Chair noted that a number of IT training sessions for Member had been set up, he was surprised that they were not mandatory.

The Principal Auditor referred the Committee to page 271 of the document pack where it was noted that the Organisational Development Team were aware of the need to set up specific Elected Member IT training.

A Member proposed that that the minute excerpt relating to the Audit Committee's consideration of the internal audit of ICT Various Recommendations (Follow Up) be sent to the Members Learning and Development Working Group for it identify the training available. The proposal was seconded.

Members discussed mobile phone usage and contracts. The Principal Auditor advised that all mobile phone contracts for the Council were current.

RESOLVED – 1) That the final audit report – ICT Various Recommendations (Follow-Up) be received.

2) That the minute excerpt AUC.26/21 ICT Various Recommendations (Follow Up) be sent to the Members Learning and Development Working Group for it to identify the training available.

AUC.32/21 INTERNAL AUDIT PROGRESS 2020/21 (APRIL – JUNE)

The Principal Auditor submitted report RD.14/21 providing an overview of the work carried out by Internal Audit between April and June of 2021/22. The report also included information on progress against the agreed audit plan, performance indicators, previous audit recommendations and proposed amendments to the Internal Audit Plan.

In considering the report Members raised the following questions and comments:

A Member expressed concern that there had been no progress in relation to recommendation 5 of the City Centre audit regarding the issuing of pavement café licenses.

The Corporate Director of Governance and Regulatory Services explained that as part of measures to support businesses affected by restrictions relating to Covid 19, government had reduced local authority controls in that area.

A Member asked why outstanding issues remained in respect of recommendation 1 of the insurance internal audit?

The Principal Auditor responded that a reminder on the matter had been issued. The relevant Officer had advised that they were not comfortable with the matter being closed; it would be addressed as part of the next review.

The Corporate Director of Finance and Resources added that the matter would be discussed at the Risk Management Sub-Group and Senior Management Team. Were it to be identified that a third party did not have the appropriate insurance to deliver an event for the Council, the fallback position was that the event would not take place.

The Chair asked when the next review of the ICT service would take place.

The Principal Auditor advised that the review would be carried out towards the end of the year as time was needed to implement the current series of recommendations.

RESOLVED – That the Audit Committee

i) noted the progress against the audit plan for 2021/22

ii) noted the progress made on audit recommendations to date outlined in appendix B (RD.14/21)

iii) approved the suggested amendments to the 2021/22 audit plan in section 5 of report RD.14/21.

AUC.33/21 INTERNAL AUDIT ANNUAL REPORT 2020/21

The Designated Head of Internal Audit submitted report RD.11/21, the purpose of which was to give his opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS)

The Designated Head of Internal Audit's opinion based on the completed audit work, was that Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had demonstrated that controls were generally working effectively in practice. He confirmed that Internal Audit had maintained its independence during the year and commended the Principal Auditor and his team for delivering 88% of the planned work against the background of amended ways of working as a result of Covid 19 restrictions.

In his dual role as the Deputy S.151 Officer and Designated Head of Internal Audit, he could further confirm that his independence and that of Internal Audit had not been in any way diminished by that working arrangement (the External Quality Assessment 2018 and annual self-assessment confirmed that suitable arrangements were in place to maintain audit independence).

The Chair commended the work of the Internal Audit team for delivering an exceptional level of work given the circumstances in which they were required to operate in 2020/21.

RESOLVED – That the Audit Committee noted:

- (i) the progress achieved in 2020/21 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at Appendix A;
- (ii) the Designated Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2021;
- (iii) the Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) the Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at Appendix B as set out in report RD.11/21.

AUC.34/21 TECHNICAL UPDATE AND CONSULTATION RESPONSES

The Financial Services Manager (Deputy S.151) provided an update on technical issues and external consultations relating to any financial or auditing matter of relevance to the Council (RD.12/21).

In May 2021 MHCLG published a Policy Paper which updated local authorities on progress regarding the government's response to the Redmond Review and its views on systems leadership for local audit. It proposed the replacement of the existing Financial Reporting Council (FRC) with a new body: the Audit, Reporting and Governance Authority (ARGA). Government had proposed the launch of a public consultation on the matter ahead of the parliamentary summer recess.

The report set out the open and forthcoming consultations; closed consultations; technical update in Financial Management Code; PSAA Draft prospectus in local auditor appointments from April 2023 – questions; Prudential Code Consultation Response; Treasury Management Code of Practice Consultation Response; Changes to Local Audit (Appointing Person) Regulations 2015 Consultation Response, and Financial Management Code Principles and Standards.

In considering the report Members raised the following questions and comments:

With reference to Appendix C – Treasury Management Code of Practice Response number 5, a Member asked whether it was likely that Environmental, Social and Governance risks (ESG) would gain increasing traction in Treasury Management procedures.

The Financial Services Manager (Deputy S.151) responded that he was aware that a number of responses on that issue had been in the same vein as the Council: that there were potential difficulties in merging environmental and social risks and maintaining levels of return. It may also be difficult to define an organisations environmental and social risk, for example the company BP was a major extractor of crude oil, but it also had invested significantly in renewable technologies.

In terms of the Council's approach it would consider the environmental and social responsibility statements of companies it invested with, the Financial Services Manager (Deputy S.151) cautioned that the Council did not have the capacity to influence those organisations.

Another Member commented that she felt it was important that the Council was mindful of the issue.

The Financial Services Manager advised that when the new Code of Practice was issued it would contain guidance which the Council would comply with.

RESOLVED – That the Audit Committee noted the update on technical issues and consultations including the Council's responses (RD.12/21).

[The meeting ended at 12:23pm]

AUDIT COMMITTEE

THURSDAY 28 JULY 2021 AT 10.00AM

PRESENT: Councillor Meller (Chair), Councillors Birks, Mrs McKerrell, Mrs Mitchell, Morton and Patrick.

OFFICERS: Legal Services Manager
Principal Auditor

ALSO

PRESENT: Director, Audit (Grant Thornton)
Councillor Ellis, Deputy Leader, and Finance, Governance and Resources
Portfolio Holder

AUC.35/21 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Bomford.

AUC.36/21 DECLARATIONS OF INTEREST

Councillor Patrick declared an interest in accordance with the Council's Code of Conduct in respect of any reference to the Sands Centre Redevelopment. The interest related to the fact that a family member was working on the site.

AUC.37/21 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.38/21 MINUTES OF PREVIOUS MEETINGS

RESOLVED – To note that Council, on 20 July 2021, received and adopted the minutes of the meetings held on 15 March and 20 May 2021. The minutes were signed by the Chair.

AUC.39/21 ANNUAL AUDIT LETTER

The Director, Audit (Grant Thornton) presented the Annual Audit Letter, the purpose of which was to summarise the key findings arising from work carried out at Carlisle City Council for the year ended 31 March 2020. Members were reminded that the detailed findings arising from Grant Thornton's audit work had been reported to the Committee in their Audit Findings Report on 20 May 2021.

The Letter recorded that Grant Thornton:

- had determined materiality for the audit of the Council's financial statements to be £1,155,000, which equated to 1.9% of the Council's gross cost of services
- had given an unqualified opinion on the Council's financial statements on 21 May 2021
- had completed work on the Council's consolidation return following guidance issued by the NAO
- had not identified any matters which required them to exercise any of their additional statutory powers were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources

The Director, Audit (Grant Thornton) drew attention to the proposed audit fees and the proposed further increase. The proposed additional fees were a result of significant additional

work that Grant Thornton had to undertake to discharge their responsibilities, they were subject to approval by SAA in lines with the Terms of Appointment.

The committee asked the following questions during discussion:

- The zero base budgeting exercise did not seem to be realistic, was there a way of making more realistic budgets to reduce the underspends?
- Why had the costs for the Sands Centre Project increased so much?

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder explained the process that was undertaken to reach the budget for the Sands Centre Redevelopment. He added that once the final price had been settled the Council entered into an agreement with the developer which placed the majority of the risk for price changes on them. The pandemic and Brexit had also added some delays to the project which impacted the budget.

- Was there a legal requirement to recalculate the MTFP based on the changes to carrying values of PPE and Investment Property?

The Director, Audit (Grant Thornton) confirmed that there was a connection, however, the values of property did not directly impact the MTFP. The main outcome of the audit challenge was VFM related and had highlighted the need for budget management arrangements including the MTFP to be very agile. Introducing robust scenario planning into short and medium term budget monitoring, managing the budget and medium term projections.

RESOLVED – That the Audit Committee noted and received the Annual Audit Letter for 2020/21 and approved the increase in fees.

AUC.40/21 EXTERNAL AUDIT PLAN 2020/21

The Director, Audit (Grant Thornton) presented the external Audit Plan for Carlisle City Council for the year ended 31 March 2021.

Members' attention was drawn to the summary provided which included the three significant risks identified and progress against prior year audit recommendations. Audit attention will also be given to the various COVID 19 funding streams to ensure the correct accounting treatment had been applied. The Audit Plan set out the revised approach to Value for Money work for 2020/21 and a timetable for the Audit Findings report and Audit Opinion and the Auditor's Annual Report.

RESOLVED – That the External Audit Plan for 2020/21 be noted and received.

AUC.41/21 DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

The Principal Auditor presented the draft Annual Governance Statement (subject to Audit) for 2020/21 which had been certified by the Council's S.151 Officer, Chief Executive and Leader, in accordance with statutory requirements.

The Principal Auditor reported on the key developments of the Council's governance framework and that there were no areas of weakness which needed to be brought to Members attention. The Internal Audit opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2021 had previously been reported to Members.

The Committee found the Annual Governance Statement to be extremely informative and asked that it be circulated to all Members. The Committee also asked that future reports show the changes to the Annual Governance Statements in bold.

The Committee discussed the recent Local Government Reorganisation announcement and ask that a short statement regarding the announcement be added to the start of the Annual Governance Statement.

RESOVLED – That the Audit Committee

- 1) Noted the contents of the 2020/21 Draft Annual Governance Statement (RD.31/21)
- 2) Noted that the Statement will accompany the annual Statement of Accounts following the audit process.
- 3) Requested that a short statement regarding the Local Government Reorganisation announcement be added at the start of the Annual Governance Statement
- 4) Requested that the Annual Governance Statement be circulated to all Members
- 5) Requested that changes to the Annual Governance Statement be highlighted in bold in future reports

AUC.42/21 DRAFT STATEMENT OF ACCOUNTS 2020/21

The Draft Statement of Accounts 2020/21 were submitted (RD.30/21). The revised Accounts and Audit (Amendment) Regulations 2021 reflected the revised dates for publishing and auditing the Statement of Accounts for 2020/21 and 2021/22. The new requirements changed the fixed period for public inspection (previously the first 10 working days of June) to start on or before the first working day of August and therefore the unaudited accounts must be published, at the latest, by 31 July.

The Council's Statement of Accounts 2020/21 (subject to Audit) had been certified by the S.151 Officer in accordance with the revised Statutory requirements. They were subject to audit, which must be concluded by the statutory deadline of 30 September 2021. Key issues included within the 2020/21 Statements were highlighted within the report RD.30/21 for Members attention. Appendix 3 of the report provided a first draft of the new Simplified Financial Statement as recommended in the Redmond Review. The final version would be professionally designed with the draft Audited Statement of Accounts in September.

A short briefing note had been circulated to the Committee.

The meeting adjourned at 10.32am and reconvened at 10.37am.

The briefing note stated that confirmation had been received from Cumbria County Council regarding the expected gains from the Cumbria Business Rates Pool. The accounts had been published on the Council's website on 22 July 2021.

The Committee was reassured by the report that the predicted negative impact of the pandemic had not affected the Council. Members commented that the Statement of Accounts was an excellent document which should be circulated to all Members.

The Committee asked for a written response to the following questions:

- Why had the Council Tax Hardship Grant Reserve not been used?
- How would the Cumbria Business Rates Pool be affected by the Local Government Reorganisation; how could the City Council ensure money still came forward?

- The Committee sought reassurance that the key risks identified would be reviewed at the earliest opportunity to take into account the potential impact of Local Government Reorganisation.
- Why was there a disparity between the Council Tax Relief Scheme figures and the increase unemployment and Universal Credit applications?

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder explained that there had not been the anticipated requirement for the Grant to date, however, the furlough scheme was coming to an end and government had allowed Councils to retain their Council Tax Hardship Grant Reserve in anticipation of any negative impact. He added that the Local Government Reorganisation should make the Cumbria Business Rates Pool easier to manage as there would only be two authorities involved. In addition, resources were available for the Council to seek expert advice during the transfer process to ensure that the Council was not disadvantaged from the changes.

The Committee recommended the following amendments to the Draft Statement of Accounts:

- Inclusion of a pie chart showing the division of money to different services / functions;
- Inclusion of a short overview regarding the impact of the pandemic on funding for the Council;
- that financial abbreviations table be moved to the beginning of the document;

RESOLVED – 1) It was noted that the 2020/21 Statement of Accounts had been certified as giving a true and fair view by the Corporate Director of Finance and Resources and that they will now be subject to audit.

2) That a written response to the questions of the Committee be circulated to Members.

[The meeting ended at 10.53am]

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 3 JUNE 2021 AT 4.00PM

PRESENT: Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Mrs Bowman, Mrs Finlayson (as substitute for Councillor Mitchelson), Mrs Mitchell, Sunter and Dr Tickner.

ALSO

PRESENT: Councillor Ellis, Finance, Governance and Resources Portfolio Holder

OFFICERS: Corporate Director of Finance and Resources
Client Side Project Manager
Policy and Performance Officer
Overview and Scrutiny Officer

BTSP.36/21 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Mitchelson, the Town Clerk and Chief Executive and the Deputy Chief Executive.

BTSP.37/21 DECLARATIONS OF INTEREST

In accordance with the Council's Code of Conduct Councillor Allison and Councillor Mrs Finlayson declared an interest in Agenda Item A.2 – Covid-19 Update. The interests related to the fact that they had both received Covid-19 grants.

BTSP.38/21 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.39/21 CALL IN OF DECISIONS

There were no items which had been the subject of call-in.

BTSP.40/21 COVID-19 UPDATE

The Corporate Director of Finance and Resources provided an update on the impact Covid-19 had on the Council's financial and governance arrangements.

The Corporate Director of Finance and Resources set out the Council's response to the pandemic and the changes to procedures to ensure appropriate controls were made to financial certification and approvals processes. She set out in some detail the financial impact and funding received along with information on the loss of income and debt management. The Corporate Director finished her presentation by detailing the potential long term financial impact.

In considering the report Members raised the following comments and questions:

- Would the remaining balance of the Hardship Fund for Council Tax be carried over?

The Corporate Director of Finance and Resources confirmed that the remaining £359,100 would be carried over and added to the £154,735 of Local Council tax Support to provide support to council taxpayers through a revised Local Hardship Scheme.

- Would the anticipated costs incurred on Capital Projects fall to the Council or the contractors?

The Corporate Director of Finance and Resources responded that the costs would fall to the Council as part of the development, however, the Scheme included a budget provision for additional costs and there was potential to claim some of the Covid-19 costs back.

- The Panel asked for further information regarding the Section 114 Notice and the likelihood that it would happen.

The Corporate Director of Finance and Resources reminded the Panel that legislation placed a duty on the Section 151 Officer to report if the Council was or likely to have an unbalanced budget. The City Council had produced a balanced budget and had sufficient cash resources in its investment balances to be able to meet its commitments. However, it was prudent for the matter to be regularly monitored and reported on.

- A Member asked what the commercial income underspend at the Market Hall referred to.

The Corporate Director of Finance and Resources agreed to provide a written response to the Panel.

- Why did the outstanding debt for invoices raised show a significantly higher amount for Finance and Resources?

The Corporate Director of Finance and Resources clarified that an invoice had been raised for a large property which had an outstanding debt. Discussions were taking place to recover the debt.

- Was there any risk of 'claw back' for any of the Covid-19 grants that the Council had issued?

The Corporate Director of Finance and Resources set out the auditing procedures that were in place with the MHCLG to ensure no claw back of grants and to ensure that the Council had issued the grants in accordance with set criteria.

- Were there enough staff resources to continue to deal with the Covid-19 grants and assurance work?

The Corporate Director of Finance and Resources explained that the grants were issued by the Revenues and Benefits Team and the Economic Development Team using existing staff. There was funding available through the MHCLG for additional staffing should it be required.

- A Member asked for further details on some of the additional expenditure as of the end of March 2021.

The Corporate Director of Finance and Resources detailed the following:

- Staffing / Agency Costs – fixed term contracts were given to temporary staff and additional staff were brought in to cover key services where Council staff had to shield
- Cleaning / PPE – cost of PPE and additional cleaning staff to cover for staff shielding
- Premises Costs – a written response would be provided
- Transport Costs – additional transportation was required as staff were unable to travel together due to social distancing rules
- Grants – grants had been given to Eden Valley Hospice and Hospice at Home

RESOLVED – 1) That the Covid-19 Update be noted. (RD.09/21)

2) That Corporate Director of Finance and Resources provide the Panel with the following written responses:

- details of the commercial underspend at the Market Hall
- details of the Premises Costs as set out in the table at 3.1.1 of report RD.09/21.

BTSP.41/21 PROVISIONAL OUTTURN REPORTS

(a) Provisional General Fund Revenue Outturn 2020/21

The Corporate Director of Finance and Resources submitted report RD.05/21 summarising the 2020/21 provisional outturn for the General Fund revenue budget, giving reasons for variances. The outturn position would result in returning £174,000 to General Fund reserves (as set out in paragraph 6.3).

Requests had been made to carry forward committed expenditure of £971,400, net transfers to/from reserves and provisions of £4,905,042 and transfer to the building control reserve of £66,374 which, if approved, would result in an overall net underspend position of £73,463 on Council Services; however it was estimated that additional funding from Business Rates income would be realised subject to the completion of the NNDR3 return and confirmation of any pooling gains.

Information on the Council's bad debt provision and balance sheet; and the impact of COVID-19 was also provided at Sections 6, 7 and 8 of the report.

The information contained within the report was provisional, subject to the formal audit process. The Draft Statement of Accounts for 2020/21 would be presented to the Audit Committee on 8 July 2021, with final approval of the audited accounts on 24 September 2021.

In considering the report Members raised the following comments and questions:

- Was the Welcome Back Fund available for large towns and parishes?

The Corporate Director of Finance and Resources responded that the Welcome Back Fund had strict criteria for the City Centre only. The Council understood that parishes and urban towns would also need this kind of financial support and it was proposed that a £50,000 Economic Recovery reserve be established to support schemes to enable recovery in such areas.

- A Member asked why the Homeless Accommodation had an underspend and an income shortfall.

The Corporate Director of Finance and Resources reminded the Panel that John Street Hostel was closed and therefore the expected income from residents had not been received. She assured the Panel that the Council was fulfilling its duty in providing homeless accommodation in alternative sites in the City.

- Was the Lanes income against a reduced budget and would it be reviewed?

The Corporate Director of Finance and Resources confirmed that the Lanes income was against a reduced target and the income shortfall would be considered in the next Medium Term Financial Plan (MTFP). In response to a further question, the Corporate Director of Finance and Resources informed the Panel that the income projections from the Gateway 44 project would also be included in the next MTFP.

- A Member highlighted the net underspend for Council services and the net underspend in the summary revenue outturn and suggested that the titles of the figures be changed to avoid confusion for the public.

RESOLVED – That the Business and Transformation Scrutiny Panel welcomed the submission of Report RD.05/21 summarising the 2020/21 provisional outturn for the General Fund Revenue Budget.

(b) Provisional Capital Outturn 2020/21 and Revised Capital Programme 2021/22

The Corporate Director of Finance and Resources submitted report RD.06/21 summarising the 2020/21 provisional outturn for the Council's Capital Budget; and providing details of the revised Capital Programme for 2021/22. The outturn showed that the net underspend for Council services as at 31 March 2021 once committed expenditure totalling £4,454,600 was taken into account was £24,488.

Details of the resources which had been utilised to fund the 2020/21 Capital Programme, together with the 5 year Capital Programme for the period 2022/23 to 2025/26 were also provided.

The 2021/22 programme would be continually reviewed to ensure the Council had the capacity to deliver that level of programme. The information contained within the report was provisional and subject to the formal audit process.

In considering the report Members raised the following comments and questions:

- The Gateway 44 Project had cost less than budgeted for, where did the underspend go and was there money reserved for final works and alterations?

The Corporate Director of Finance and Resources explained that money had been transferred through a virement, as agreed by Council, to the Civic Centre reinstatement work and £896,200 had been carried forward for any further required works at Gateway 44.

- What would be the impact on the Vehicle and Plant Replacement programme should Council approve the virement from that budget to the Civic Centre reinstatement project?

The Corporate Director of Finance and Resources responded that the Transport Manager had identified capacity in the budget that had not been reserved for specific vehicle and plant replacement and the Corporate Director had been reassured that the change in the budget would not impact the replacement programme.

RESOLVED – That Provisional Capital Outturn 2020/21 and revised Capital Programme 2021/22 (RD.06/21) and the information contained therein be noted and received.

(c) Treasury Management Outturn 2020/21

The Corporate Director of Finance and Resources presented report RD.07/21 providing the annual report on Treasury Management, as required under both the Financial Procedure Rules and the CIPFA Code of Practice on Treasury Management. Also submitted was the regular report on Treasury Transactions.

In considering the Treasury Management report Members raised the following comments and questions:

- Was overseas investment an option for the authority?

The Corporate Director of Finance and Resources explained that it was not currently an option for the Council, however the situation was reviewed annually.

- How much was invested in the CCLA Property Fund?

The Corporate Director of Finance and Resources responded that £3.289m was invested as a long term investment. She added that it was a possibility that further investments into this Fund could be made depending on the cash balances for the authority and what other investment products were available.

RESOLVED – That the Treasury Management Outturn 2020/21 (RD.07/21) be noted and received.

(d) Council Tax Provisional Outturn 2020/21

The Corporate Director of Finance and Resources presented report RD.04/21 summarising the 2020/21 provisional outturn and performance position for Council Tax.

She informed Members that for 2020/21 the position on the collection fund was estimated to be a surplus of £238,653, with the Council's share being £29,438. When the final position was calculated at the end of 2019/20 the surplus on the Council Tax Collection Fund was actually £50,781 of which the Council's share was £6,197. The decrease in the surplus was taken into account and redistributed in the budgeted estimate for 2021/22.

The actual collection fund position for 2020/21 had been calculated and the surplus had decreased, and was in deficit, now standing at £1,202,144.91 with the Council's share being £144,909.44. The worsening position was a result of the effects of the Covid 19 pandemic and the Council's ability to recover Council tax debt. Legislation had been passed that would allow the Council to spread the deficit position over the following three years to ease the impact on the General Fund and allow time for arrears to be recovered.

RESOLVED – That the Council Tax Provisional Outturn 2020/21 (RD.04/21) be noted and received.

(e) Elected Members' Allowances – Provisional Outturn Report for 2020/21

The Corporate Director of Finance and Resources presented report RD.08/21 setting out the amount of allowances paid to Members as part of the Elected Members' Allowances Scheme for 2020/21. She informed Members that £269,765 had been paid in allowances to individual Members which represented an underspend of £20,535, the reasons for which were provided at Section 2

RESOLVED – That the Elected Members' Allowances Provisional Outturn 2020/21 Report RD.08/21 be noted and received.

BTSP.42/21 THE SANDS CENTRE REDEVELOPMENT PROJECT

The Client Side Project Manager presented an update on the current progress of the redevelopment of the Sands Centre site (CS.25/21).

The Client Side Project Manager provided an update on the measures undertaken to manage or adapt the existing proposals to deal with:

- a) Progress with the main contract works
- b) A requirement to update existing infrastructure in the events space to manage public safety systems to meet with current legislation.
- c) Working practices evolving from the management of the risks associated with the COVID -19 pandemic
- d) Working practices evolving from the management of the Brexit Agreement arrangements

In response to questions the Client Side Project Manager gave an overview of an NEC form of contract and explained that the Early Warning Notices, Compensation Event Notices and Project Manager Instructions allowed issues to be identified and addressed as they arose. Some of the costs were met by the Council and some by the contractors, equally some notices resulted in savings to the project. The number of notices issued was quite low for a project of this size. She also detailed how quality control of materials was undertaken on site.

RESOLVED – That the Sands Centre Redevelopment Project update (CS.25/21) be noted.

BTSP.43/21 SICKNESS ABSENCE REPORT 2020/21

The Policy and Performance Officer submitted the authority's sickness absence levels for the period April 2020 to March 2021 and other sickness absence information. (CS.24/21).

The Policy and Performance Officer provided an update on the work of the Attendance Management Policy Task and Finish Group and reported that current sickness statistics showed the number of days lost per Full Time Equivalent (FTE) equated to 8.5 compared to 12.1 in 2019/20.

The report set out the absence levels split by directorates with comparison figures along with the impact of Covid-19.

In considering the report the Panel raised the following comments and questions:

- A Member felt strongly that the Covid-19 sickness absence figures should not include absences such as childcare, halted services or the inability to redeploy of staff as they were clearly not sickness absence.
- The report clearly identified Directorates with higher rates of stress absence than others, how was this being investigated and addressed?

The Policy and Performance Officer reminded the Panel that absences in smaller Directorates may indicate a spike in sickness, but it may only be one or two people.

- A Member asked for an updated on the Attendance Management Task and Finish Group and the Policy and Performance Officer explained that the report would be ready for the democratic process in the coming weeks.
- Had there been any evidence gathered from staff regarding working from home and did it impact sickness absence?

The Policy and Performance Officer reported that a survey had been undertaken and there had been a mixed result. Some staff preferred working from home for the work / life balance and

some preferred being in the office and the social interaction it provided. The survey was being used to prepare options for future working.

- A Member asked what impact the pandemic had on productivity of staff.

The Policy and Performance Officer responded that generally it had been positive as shown in the next agenda item on performance , however, there were some exceptions.

RESOLVED – 1) That the Sickness Absence Report 2020/21 (CS.24/21) be noted.

2) That consideration be given to removing non sickness absence from the Covid-19 sickness figures.

BTSP.44/21 END OF YEAR PERFORMANCE REPORT 2020/21

The Policy and Performance Officer presented the End of Year 2020/21 performance against the current Service Standards and a summary of the Carlisle Plan 2016-19 actions as defined in the 'plan on a page'. Performance against the Panel's 2020/21 Key Performance Indicators (KPIs) were also included.

There were three exceptions detailed in the report:

SS05: Proportion of corporate complaints dealt with on time

SS08: Proportion of official local authority searches completed on time

Cse14: Actual car parking revenue as a percentage of car parking expenditure

The Policy and Performance Officer gave an updated on the Task and Finish Group and a report was due to be presented to Scrutiny later in the year.

In considering the report end of year performance the Panel raised the following comments and questions:

- When would the targets for performance against the Local Environment Climate Change Strategy be included in the Performance Reports and how would staff be included in the work to achieve the targets?

The Policy and Performance Officer responded that the Health and Wellbeing Scrutiny Panel and the Economic Growth Scrutiny were both due to receive reports on the Climate Change Strategy and the questions could be addressed by those Panels.

- A Member highlighted issues that members of the public had in contacting the Council by telephone and asked if it was due to an increase in demand on the service.

The Policy and Performance Officer explained that the telephone was answered by customer service staff working from home. The Customer Contact Centre was closed therefore all face to face demand had diverted to the telephone or online. He agreed to provide the Panel with figures from the Customer Contact Centre for the last year.

RESOLVED – 1) That the End of Year Performance Report 2020/21 (PC.20/21) be noted.

2) That the question raised regarding the Local Environment Climate Change Strategy be picked up by either the Health and Wellbeing Scrutiny Panel or the Economic Growth Scrutiny Panel.

3) That the Policy and Performance Officer provide the Panel with figures showing the number and response times for telephone calls coming into the City Council for 2020/21.

BTSP.45/21 OVERVIEW REPORT

The Overview and Scrutiny Officer presented report OS.07/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel and the Panel's Work Programme.

RESOLVED – That the Overview Report incorporating the Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.07/21).

(The meeting ended at 5.50pm)

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 15 JULY 2021 AT 4.00PM

PRESENT: Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Mrs Bowman, Mitchelson, Mrs Mitchell, Sunter and Dr Tickner.

ALSO

PRESENT: Councillor Ellis, Finance, Governance and Resources Portfolio Holder

OFFICERS: Town Clerk and Chief Executive
Deputy Chief Executive
Corporate Director of Finance and Resources
Lead ICT Officer
Policy and Communications Manager
Policy and Performance Officer

BTSP.46/21 APOLOGIES FOR ABSENCE

There were no apologies for absence submitted.

BTSP.47/21 DECLARATIONS OF INTEREST

No declarations of interest were submitted.

BTSP.48/21 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.49/21 MINUTES IF PREVIOUS MEETING

RESOLVED – That the minutes of the meeting held on 3 June 2021 be agreed as a correct record.

BTSP.50/21 CALL IN OF DECISIONS

There were no items which had been the subject of call-in.

BTSP.51/21 BUSINESS RATES OUTTURN

The Corporate Director of Finance and Resources submitted the 2020/21 provisional outturn and performance position for Business Rates and the impact it would have on the overall General Fund Balance (RD.13/21).

The matter was considered by the Executive at their meeting on 5 July 2021 (EX.57/21 refers) and resolved:

“That the Executive noted the provisional outturn position for Business Rates at 31 March 2021 and approved the creation and transfer of a new earmarked reserve as outlined in paragraph 2.6.1 of report RD.13/21.”

The Corporate Director of Finance and Resources reported that the deadline for the submission of the NNDR 3 returns was 30 June, it was hoped that the final Business Rates Pooling figure would be updated before the final Statement of Accounts was published.

The Panel felt assured by the report and thanked the Corporate Director of Finance and Resources and her team for their ongoing hard work especially during the pandemic.

RESOLVED – That the Panel had scrutinised the Business Rates Outturn 2020/21 and supported the recommendation to create and transfer a new earmarked reserve as outlined in paragraph 2.6.1 of report RD.13/21.

BTSP.52/21 CARLISLE PLAN 2021-2023

The Policy and Communications Manager submitted an update on the new Carlisle Plan 2021-2023 (PC.24/21). Following the previous scrutiny of the Plan it had been possible to arrange public consultation between 2 and 6 August, consultation was online and physically in the Tourist Information Centre and Bitts Park.

The Policy and Communications Manager had circulated the design draft of the Plan and reported that an illustrated map had been designed to showcase the developments in both the urban and rural areas.

In considering the report Members made the following comments and suggestions in relation to the contents of the Carlisle Plan:

- There should be a stronger message regarding transport and improved connectivity;
- The Plan should be clearer about the work being undertaken in rural areas;
- There should be a stronger message about tourism as an economic driver in Carlisle;
- The Plan was more accessible but still required some further work to ensure the whole document was in plain English;
- The Plan referred to 'economic growth' and 'sustainable growth', it was felt that this was a mixed message in terms of the Council's climate change strategy and should be changed to sustainable growth only;
- The climate emergency was more apparent in the Plan, however, Members wanted to see this underpinned in all of the strategies and vision for Carlisle;
- The consultation questions did not prompt individuals to share their vision for Carlisle and it was suggested that they be changed and more open questions be included to engage with people;
- Could examples of the viable options for the Central Plaza site be included in the Plan and could the consultation include a question which allowed the public to put forward their suggestions for the site;
- Add information explaining how the Market Square would be reimagined to become a focal point;

In response the Policy and Communications Manager clarified the following:

- The Carlisle Plan gave a commitment to the preparation of a Rural Strategy
- Transport improvements work may be better placed within the Economic Strategy work

The Town Clerk and Chief Executive informed the Panel that Officers had received a clear directive to develop a Rural Strategy as a priority and the Corporate Director of Economic Development was progressing with the work.

The Panel asked that the Carlisle Plan refer to the Rural Strategy as part of the vision of the Carlisle Plan and make it clear what this meant for urban and rural residents.

A Member asked how the progress on the programmes which underpinned the Carlisle Plan would be reported within the quarterly performance report?

The Policy and Communications Manager explained that the Panel would have the opportunity to consider how the performance would be monitored when the performance report was submitted to the next meeting.

The Panel urged officers to engage with local rural communities outside of the Parish Councils as part of the consultation process.

RESOLVED – That the Panel had scrutinised the draft Carlisle Plan 2021-20523 (PC.24/21) and asked the Executive to consider their comments and suggestions as set out above as part of the consultation process.

BTSP.53/21 FUTURE SCRUTINY ARRANGEMENTS

The Deputy Chief Executive presented an overview of recent discussions by the Scrutiny Chairs Group with regard to the future scrutiny arrangements at Carlisle City Council. (OS.18/21).

The Deputy Chief Executive reported that the Scrutiny Chairs Group had met on 29 June 2021 and requested that the Business and Transformation Scrutiny Panel consider establishing a Task and Finish Group to consider whether any changes should be made.

The Panel discussed the suggestion and the potential impact of the Local Government Reform and agreed to progress with the task and finish group. Councillor Bainbridge and Allison were nominated as the Business and Transformation Scrutiny Panel's representatives.

RESOLVED – 1) That the Future Scrutiny Arrangements report (OS.18/21) be noted.

2) That a Future Scrutiny Arrangements Task and Finish Group be established.

3) That Councillor Bainbridge and Councillor Allison be appointed to the Future Scrutiny Arrangements Task and Finish Group on behalf of the Business and Transformation Scrutiny Panel.

BTSP.54/21 OVERVIEW REPORT

The Policy and Performance Officer presented report OS.17/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel and the Panel's Work Programme.

RESOLVED – That the Overview Report incorporating the Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.17/21).

BTSP.55/21 PUBLIC AND PRESS

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in

the paragraph number (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

BTSP.55/21 ICT SERVICES PROJECT STATUS PROJECT
(Public and Press excluded by virtue of paragraph 3)

The Lead ICT Officer submitted an update on the ICT Services Project Status (CE.09/21). The report had been updated to offer the Panel an up to date snapshot of the current status of the ICT Services projects along with recent project activity; RAG rating; issues and emerging risks; key activities for the next period and requests for change.

The Lead ICT Officer responded to the Panel's questions, assuring them of the work that was being undertaken and he set out the resources required to undertake the work detailed within the project report. He explained that recruitment in IT was an issue across the country, however, the current vacant posts had been re-evaluated and it was hoped this would help the process.

During the discussion the Town Clerk and Chief Executive explained that the IT projects needed to continue to ensure the Council was protected regardless of the outcome of the Local Government Reform. He added that the matters within the report had been considered by the Audit Committee who had made a recommendation to the Panel.

The Lead ICT Officer set out the priorities for the projects and service and gave details of external support that was provided to the Council.

RESOLVED – 1) That the Panel had scrutinised the ICT Services Project Status report (CE.09/21).

2) That an updated ICT Services Project Status report be submitted to the Panel in three months time.

(The meeting ended at 5.25pm)

Business & Transformation Scrutiny Panel

Date: Thursday, 26 August 2021 **Time:** 16:04

Venue: Council Chamber

Chair: Councillor James Bainbridge

Present: Councillors Allison, Bainbridge, Mrs Bowman, Ms Ellis-Williams,
Mrs Mitchell, Mitchelson, Sunter and Dr Tickner

Apologies for Absence: Councillor Alcroft

Also Present: Councillor Ellis, Finance, Governance and Resources Portfolio Holder
Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Health and Wellbeing Manager
Arts Development Officer
HR Manager
Policy and Communications Manager
Overview and Scrutiny Officer

BTSP.56/21 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Alcroft (substituted by Councillor Ms Ellis-Williams), the Town Clerk and Chief Executive and the Deputy Chief Executive.

BTSP.57/21 DECLARATIONS OF INTEREST

No declarations of interest were submitted.

BTSP.58/21 PUBLIC AND PRESS

RESOLVED – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.59/21 MINUTES OF PREVIOUS MEETINGS

RESOLVED – 1) It was noted that Council, at its meeting on 20 July 2021, received and adopted the minutes of the meetings held on 1 April and 2 June 2021. The Chair signed the minutes.

2) That the minutes of the meeting held on 15 July 2021 be agreed as a correct record.

BTSP.60/21 AGENDA

RESOLVED – That agenda item B.1 be considered as the first item on the agenda.

BTSP.61/21 PUBLIC AND PRESS

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 Public and Press were excluded from the meeting during consideration of the following item business on the grounds that they involved the likely disclosure of exempt information as de the paragraph numbers (as indicated in brackets against the minutes) of Part 1 of Schedule the 1972 Local Government Act.

BTSP.62/21 CALL IN OF DECISION

(Public and Press excluded by virtue of Paragraph 3)

Councillors Dr Tickner, Sunter and Ms Ellis-Williams Called-in for Scrutiny Executive Decision EX.78/21 – Outcome of Old Fire Station Tender. The reasons given for the Call-in were:

The decision, which was made by the Executive on 2nd August 2021 report number CS.28/21, was to select Greystone Developments Ltd as the preferred supplier and to proceed to agree terms for and enter into, a lease for the premises. The lease would include a Service Agreement requiring the operator to run the Old Fire Station (OFS) for the purpose and in the manner required by the City Council.

The purpose of calling in the decision was to enable Overview and Scrutiny to scrutinise the decision and then, if concerned, refer it back to Executive or on to Council.

The grounds for calling in the decision was because there was concern around the business case and the belief that the decision would not lead to an efficient use of public resources and assets.

Councillor Dr Tickner was nominated as Lead Call-in Member, he began by thanking officers for providing the additional information that he had requested and taking the time to answer his questions. Despite seeking further information he had remained unsatisfied with the outcome of the tender.

He stated that the business plan had been the predominant reason for the call-in. The business plan had not contained any costing against activities and the costings were not supported by experience or detail. He had also been very concerned regarding the low tender scoring.

He felt that the proposed review period for the lease of 3 and 6 year was too long to wait should the business fail. He supported the appointment of a local provider but did not believe that Greystone Development Ltd understood Carlisle and the local need. The business had experience in sales and property development but not in operating a diverse hospitality venue such as the OFS.

Councillor Dr Tickner summed up by commenting that he believed more due diligence was required especially with the business plan.

Councillor Ms Ellis-Williams supported Councillor Dr Tickner's comments that the business plan was vague, and she felt it did not offer a unique selling point. She had concerns that some of the proposed events clashed with similar events already being offered in the town centre, she also felt that the events did not give an identity to the OFS or what Greystone Developments Ltd hoped the venue would be.

She was not opposed to the venue being externally operated, however, she was very concerned with the low scoring criteria and questioned how robust the business plan and the figures contained in it were. She did not have confidence that Greystone Developments Ltd could run and manage the venue.

Councillor Ms Ellis-Williams wanted more details to prove that the company was the right fit for the venue, if they were not she suggested that City Council officers maintained the venue until an appropriate proposal came forward to run the OFS as an arts and culture venue.

The Finance Governance and Resources Portfolio Holder responded to the call-in. He commented that he had made similar points when the Council initially began the OFS project.

He had felt the Council had no business plan, the budget had been indicative, and it had increased significantly. The Portfolio Holder at the time had said the Old Fire Station would be cost neutral but this had not happened.

It had taken approximately 3 years to get to reach this point and previous tender processes had been unsuccessful, he agreed the tender should not be rushed but consideration also had to be given to the scheduled events and reputational damage to the Council should they be cancelled because the City Council did not have the staff to operate the venue. The Executive were confident that Greystone Developments Ltd would be able to run the OFS with the vision to get people back into the venue and get the OFS operational and successful.

The Health and Wellbeing Manager responded to some issue raised by the call-in Members:

- officers had initially felt that some of details in the plan had been overambitious, as a result the Heads of Terms had determined that the income to the Council would not be predicated on the income of the venue;
- there were clauses within the legal agreement which allowed the City Council to terminate the contract should Greystone Developments Ltd not deliver on the requirements of the service level agreement or fail with their business, the Council did not have to wait until the 3 year review;
- Greystone Developments Ltd had been working with promoters to secure a full calendar of events from October.

The Arts Development Officer commented that initially he had not been confident in the tender, however, on meeting the individuals he had been impressed with their passion for the business and was pleased to learn they had already held discussions with promoters to secure 68 events taking the schedule up to 2023. He felt the company was ready to run the OFS and that Carlisle needed a local venue. He added that the company wanted the venue for the community and to be inclusive, he summed up by stating that the Council could not make the venue a success in the same way Greystone Developments Ltd could.

The Corporate Director of Finance and Resources outlined the net cost of running the OFS and detailed the proposed saving should the contract be awarded. The contract was not a profit share contract, the Council would be a leaseholder and as a result the business plan was not analysed fully by finance. She stated that the main issue was to ensure that there were sufficient funds in the company to deliver financial liability to the Council which were the lease payments.

In considering the Call-in, Members raised the following comments and questions:

- A Member had been concerned by the company finances and the impact on the subsidy that the Council provided to the venue. He felt he could not support the appointment of the contract to Greystone Developments Ltd.
- What had been the tender scoring of the previous tender for the venue?

The Health and Wellbeing Manager responded that each tender was considered individually based on the requirements set by the Council for the tender at that time.

A Member then asked what score the City Council would have received when it began the project and the Arts Development Officer responded that the score would have been very low as the project had been a very steep learning curve for all involved.

- Were there any incidences where the Council had considered a business plan as part of a lease agreement?

The Corporate Director of Finance and Resources confirmed that there had been one previous project, that she could recall, where the business case had been considered due to the financial support the Council provided to operate the service. She added that usually business plans were not considered when it is a lease, referring to the OFS she clarified that the business plan was asked for as part of the tender process to provide clarity on the activities which would be undertaken at the venue.

- Had the Council received any profit as a result of the previous profit share arrangements?

The Health and Wellbeing Manager gave an overview of the previous arrangements and confirmed that there had not been any profits delivered.

A Member reminded the Panel that the subject of the call-in had been the current tender and did not feel it was appropriate to discuss previous tenders.

- A Member asked for clarification regarding the other businesses that tendered.

The Health and Wellbeing Manager gave an overview of the process and the reasons the other tenders had not moved forward.

- A Member asked for clarification with regard to the income the City Council would receive.

The Health and Wellbeing Manager confirmed that the income would come from the lease only.

- What would be the impact of the tender not being awarded?

The Arts Development Officer highlighted the will in the City for the venue to reopen, if the tender did not go ahead the venue would remain closed and would leave a gap in the market.

The Health and Wellbeing Manager added that, should the tender not be awarded, the Council would work to try and meet the obligations of the events scheduled in September / October, however, there was no staff to operate the venue and it would be costly to the Council to run the events.

- Was the move to online ticket sales important to the future of the venue?

The Arts Development Officer confirmed that most venues had an online based ticket service. The OFS had an online presence and sold physical tickets previously, however the majority of ticket sales were online. There would still be an opportunity to buy tickets at the door through the online portal, it was a much more efficient modern way to sell tickets.

The Corporate Director of Governance and Regulatory Services clarified the risk to the Council stating that legally the relationship was landlord / tenant. The financial risk was loss of rent, however, there was a reputational risk which needed to be considered if the venue did not open or if the business failed.

Councillor Ms Ellis-Williams reiterated the reason for the call-in. She acknowledged what had been said about the enthusiasm of the proposed operator noting that the 68 acts had not been confirmed. She also felt that an online only booking system could cause some people to be disadvantaged as it was not practical for everyone. She felt that the tender had been rushed and questioned what would happen if the tender did not go forward.

- How would the clause to end the lease agreement be activated?

The Health and Wellbeing Manager outlined the provisions in the Service Level Agreement which would allow the Council to end the contract.

The Property Services Manager informed the Panel that he had also had reservations with regard to the proposals, but he had since been reassured that the contract protected the Council and its asset. The Council did not have the staff or resources to operate the venue, if the tender did not move forward the venue would remain closed.

- A Member suggested a short trial period to allow Greystone developments Ltd time to demonstrate its ability to make the OFS a successful business.

The Health and Wellbeing Manager responded that the Service Level Agreement included performance management arrangements to deal with any issues that may arise.

The Finance, Governance and Resources Portfolio Holder understood the concern regarding the risk of success and suggested that some of the savings were placed into a reserve for the OFS.

- What would the Council lose if the tender was referred back to the Executive?

The Arts Development Officer explained that should the venue not open, events would have to be cancelled and this would risk the Council's reputation with promoters as they may not come back to the venue.

The Finance, Governance and Resources Portfolio Holder highlighted the appetite for live events in the area. There was a demand for the venue to reopen; the Council had mitigated the risk where possible and he asked the Scrutiny Panel to consider the risk to the authority of doing nothing.

The Lead Call-in Member summed up the Call-in by highlighting the proposed operator's business background and finances. He felt that the business plan relied on the support of City Council officers and did not have evidence to support the figures stated. He felt that the proposed operators were not experienced enough to successfully run the venue.

A Member proposed, and it was seconded, that the matter not be referred back to the Executive, in which case the decision would take effect from the date of this meeting.

A Member proposed, and it was seconded, that the matter be referred to Full Council.

Following voting it was

RESOLVED – That the Business and Transformation Scrutiny Panel not refer the decision back to the Executive, the decision shall take effect from the date of this meeting.

The Panel adjourned at 17.28 and reconvened at 17.35.

BTSP.63/21 DRAFT MEDIUM TERM FINANCIAL PLAN 2022/23 to 2026/27

The Corporate Director of Finance and Resources presented the Medium Term Financial Plan (RD.28/21) which set out the current framework for planning and managing the Council's financial resources, to develop its annual budget strategy and update its current five-year financial plan. The Plan linked the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources, enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives. The MTFP would inform the budget

process and would be updated for changes when known.

The Corporate Director of Finance and Resources reported that the Council had been notified of the outcome of the proposed Local Government Reorganisation (LGR) in Cumbria. The draft MTFP and Capital Investment Strategy had both been prepared based on the Council in its existing form and structure as a going concern for the next five years. However, the decision announced that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria from 1 April 2023. The Council needed to approve a revenue budget, council tax requirement and a capital investment programme for 2022/23. Therefore, the financial plans beyond that date were for illustrative purposes only and would fall under the responsibility of the new Authority.

The Executive had considered the matter at their meeting on 2 August 2021 (EX.65/21 refers) and made the report available to the Panel for scrutiny.

In considering the Draft Medium Term Financial Plan (MTFP) 2022/23 to 2026/27 Members raised the following comments and questions:

- Was the reduction in overall funding from Business Rates of £1,800,000 for 2022/23 secure?

The Corporate Director of Finance and Resources clarified that the reduction detailed within the report was an assumption pending notification and implications of revised retentions scheme, pooling arrangements and baseline reset.

- What work was being undertaken with the other authorities to co-ordinate financial policy in preparation for the LGR?

The Corporate Director of Finance and Resources explained that the Cumbria Finance Officers were meeting weekly, and a detailed data collection exercise was underway as a basis for the work needed for the LGR.

- When would the Tullie House Levelling Up application outcome be announced?

The Corporate Director of Finance and Resources responded that the announcement was expected in the autumn.

- There was some concern that the Council Tax Reduction Scheme (CTRS) would be significantly impacted due to Covid-19, would this Scheme continue?

The Corporate Director of Finance and Resources reminded the Panel that the Scheme was considered and agreed annually as part of the Council budget process.

RESOLVED – That the Panel had considered and commented upon the draft Medium Term Financial Plan 2022/23 TO 2026/27 (RD.28/21).

BTSP.64/21 DRAFT CAPITAL INVESTMENT STRATEGY 2022/23 – 2026/27

The Corporate Director of Finance and Resources submitted the Council's draft Capital Investment Strategy which was intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2022/23 to 2026/27 (RD.29/21). The guidance in the strategy complements and supplements the Medium-Term Financial Plan.

The Corporate Director of Finance and Resources highlighted the key messages as detailed in

section 2 of the report, which included the announcement on the Local Government Reorganisation.

The Executive had considered the Draft Capital Investment Strategy 2022/23 - 2026/27 at their meeting on 2 August 2021 (Minute Excerpt EX.66/21 refers) and made the report available to the Panel for scrutiny.

In considering the Draft Capital Investment Strategy Members raised the following comments and questions:

- The current asset portfolio supported operational and non-operational activities; how confident could the Council be that the income could be relied on given the current downturn in retail.

The Corporate Director of Finance and Resources responded that the projections had been reduced previously and work would be undertaken with Property Services to determine how realistic the projections were now and what budget pressures there could be as a result of the current economic situation.

The Finance, Governance and Resources Portfolio Holder reminded the Panel that although high street retail was struggling the Industrial Estates were performing well and were more robust. The Property Services Manager agreed that the large Industrial Estate portfolio, which included Gateway 44, were performing well as out of town retail continued to be successful.

RESOLVED – That the Panel had considered and commented upon the draft Capital Investment Strategy 2022/23 - 2026/27 (RD.29/21).

BTSP.65/21 DRAFT ASSET MANAGEMENT PLAN 2022 TO 2027

The Property Services Manager presented the draft Asset Management Plan 2022 to 2027 which was being updated to reflect the key issues and changes affecting the management and use of the City's property resources (GD.54/21). The Plan also reported on the current position and performance of the Portfolio, and the Asset Disposal Programme.

The Property Services Manager was delighted to report that the Gateway 44 project had been completed on time, under budget and was fully let out. Given the circumstances of the last 18 months this had been an excellent achievement for the Property Services Team.

The Executive had considered the Draft Asset Management Plan 2022 to 2027 at their meeting on 2 August 2021 (Minute Excerpt EX.67/21 refers) and made the report available to the Panel for scrutiny.

In considering the Draft Asset Management Plan Members raised the following comments and questions:

- Chancerygate had successfully carried out many rent reviews, would their contract be renewed?

The Property Services Manager acknowledged the work that Chancerygate had carried out in securing evidence for the rent reviews and added that the five-year contract with Chancerygate would end in October. Discussions were taking place to determine the best options moving forward.

- The Pools had been removed from the outstanding maintenance programme due to the impending closure, did this include the Victorian pools and health suite?

The Property Services Manager confirmed that all of the pools and health suite were excluded from the programme at this time. However, the Borderlands project included work to identify what repairs were necessary to the buildings, when the work was finished the Victorian pools and health suite would be incorporated back into the maintenance programme.

- Who was leading on the work to understand the energy consumption across the Council's portfolio and the assessment of the carbon footprint and when would the baseline be ready?

The Property Services Manager explained that a team of people with a variety of knowledge and skills were working to establish a baseline as well as trying to secure funding to support the work. It was hoped that the baseline would be established by the end of the financial year.

- A Member sought confirmation that removal of the older, poorly functioning assets such as the Pools was with regard to just the 1970s pool.

The Property Services Manager confirmed that the removal was the actual swimming pool element which would be transferred to the Sands Centre as a modern facility.

- When would the feasibility study which had been undertaken on the health suite be available so Members could understand the implications of the recommendations?

The Chair informed the Panel that the Economic Growth Scrutiny Panel were scheduled to scrutinise the report at their meeting on 21 October 2021.

- Were the rent reviews up to date?

The Property services Manager explained that the rent reviews would be an ongoing project each year. Evidence had to be gathered to support any reviews, Chancerygate had been very good at providing open market evidence to support reviews but the process took some time.

RESOLVED - That the Panel had considered and commented upon the draft Asset Management Plan 2022 to 2027 (GD.54/21).

BTSP.66/21 EXTERNAL AUDIT REPORT ACTION PLAN AND RECOMMENDATIONS FOLLOW UP

The Corporate Director of Finance and Resources reported that the Audit Committee had considered the External Audit Report for Carlisle City Council at its meeting on 20 May 2021 (AUC.17/21 refers). The Audit Committee referred the matter to the Panel for information and ongoing monitoring.

RESOLVED – That the Panel noted the progress on implementation of the recommendations in the External Findings Report for 2019/20 (RD.35/21)

BTSP.67/21 SICKNESS ABSENCE REPORT QUARTER 1 2021/22

The HR Manager presented the authority's sickness absence levels for the period April 2021/22 and other sickness absence information (RD.30/21).

The HR Manager highlighted the current sickness statistics as detailed in section 2 of the report along with the absence levels split by directorates with comparison years. She reported that so far in 2021/22 there had been an increase in overall days lost per employee compared to the

same period in the previous year. The report set out comparison data, trends, sickness absence reasons and an update on return to work interviews. The HR Manager gave an overview of the key activities which the City Council undertook to support attendance management.

The HR Manager reported that the direct impact of the Covid-19 pandemic on absenteeism had been monitored since the first national restrictions were announced in 2020. The majority of staff had been able to work from home or had been redeployed into other roles. For clarity, in the few cases when staff had been unable to work for non-sickness related reasons, the days had not been included in the totals. The table at section 4.3 of the report showed how the reasons for sickness absences had changed since pre-pandemic along with a detailed explanation of the changes.

In considering the report Members raised the following comments and questions:

- How would it be recorded if a member of staff was advised to self-isolate by NHS Track and Trace?

The HR Manager responded that it would not be classified as a sickness absence unless the individual became ill. If an individual was absent whilst waiting on test results, they also would only be recorded as an absence if they became ill. The HR Manager confirmed that short term COVID related absence was not generally included when considering triggers for sickness absence reviews for employees.

- When would the work of the Task and Finish Group be implemented?

The HR Manager reported that the Attendance Management Policy would be submitted to the Employment Panel on 14 September for their approval.

- One directorate had a very high absence level under 'stress, depression, mental health, fatigue symptoms', how was this being addressed?

The HR Manager acknowledged the issue and outlined the work being carried out to address the issue. A culture review was being carried out alongside more proactive absence management. She added that the Council had a duty of care as an employer to support those on long term sick to return to work and a proactive and supportive approach is being taken. An Action Plan had been established for each employee currently on long term absence with a view to support them in a sustained return to work at the earliest opportunity and it was anticipated that this approach would reduce the overall figures by the end of quarter 3.

RESOLVED – That the Panel had scrutinised the information on sickness absence provided in report RD.30/21.

BTSP.68/21 QUARTER 1 PERFORMANCE REPORT 2021/22

The Policy and Communications Manager submitted the Quarter 1 2021/22 performance against the current Service Standards and a summary of the Carlisle Plan 2021-23 actions as defined in the draft Plan. Performance against the Panel's 2021/22 Key Performance Indicators (KPIs) were also included. (PC.33/21)

The Policy and Communications Manager highlighted the changes to the report as a result of the Performance Reporting Task and Finish Group and drew the Panel's attention to the summary of exceptions and the explanation for each missed target.

In considering the performance a Member noted that some of the targets had not been changed

for some time and asked if work was carried out to assess the performance related to the targets. The Policy and Communications Manager reminded the Panel that some of the targets had been stretched in recent years and teams did meet to discuss targets and working practices. He suggested that the Panel may find it useful to identify some of the information in the individual targets.

RESOLVED -That the Panel had scrutinised the performance of the City Council with a view to seeking continuous improvement in how the Council delivers its priorities (PC.33/21).

BTSP.69/21 OVERVIEW REPORT

The Overview and Scrutiny Officer presented report OS.21/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The Overview and Scrutiny Officer reported that the Health and Wellbeing Scrutiny Panel had met on 22 July and discussed the Future Scrutiny Arrangements Task and Finish Group. The Panel resolved "That the Future Scrutiny Arrangements Task and Finish Group should not progress. That no changes be made to the scrutiny arrangements for the final year as the City Council".

The Panel discussed the matter, some Members agreed that the Task and Finish Group should not go ahead, and some felt that the work would not take long and should be progressed.

The Overview and Scrutiny Officer suggested that the Scrutiny Chairs Group meet to discuss how to progress the matter.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.21/21).

2) That the Scrutiny Chairs Group meet at the earliest convenience to discuss how the Future Arrangements Task and Finish Group should be progressed.

The Meeting ended at: 18.54

Carlisle City Council Audit Progress Report and Sector Update

Year ending 31 March 2021

10 September 2021



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at September 2021

Financial Statements Audit

We undertook our initial planning for the 2020/21 audit in July 2021 and began our work on your draft financial statements in August 2021.

In July we issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2020/21 financial statements.

The Accounts and Audit (Amendment) Regulations 2021 push back the date by which principal authorities need to publish their draft financial statements to the first working day of August. The date by which authorities are required to publish audited financial statements is 30 September. In 2020 this date was pushed back to 30 November.

We will report our work in the Audit Findings Report and aim to give our opinion on the financial statements by the end of October 2021.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline is now no more than three months after the date of the opinion on the financial statements. We plan to issue our Auditor's Annual Report by 31 December 2021.

Please see page 10 for further details.

Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Authority's 2020/21 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.</p>	July 2021	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	September 2021	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the October Audit Committee.</p>	30 October 2021	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statements.</p>	30 October 2021	Not yet due
<p>Auditor's Annual Report</p> <p>This Report communicates the key issues arising from our Value for Money work. * This is due 3 months after the issue of the audit opinion on the financial statements.</p>	31 December 2021	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	We have reviewed internal audit's work to date on the Authority's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.
Review of information technology controls	<p>We will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls will be observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Authority's financial statements.

	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed walkthrough tests of the Authority's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements. These systems included revenue, employer remuneration, housing benefits, council tax, NDR, cash, operating expenses as well as pensions and property plant and equipment.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Authority in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Authority's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Authority's control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

A teal rectangular button with the text "Public Sector" in white, sans-serif font.

Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font.

Local
government

The new approach to Value for Money

The nature of value for money work

Section 20 and 21 of the Local Audit and Accountability Act 2014 (the Act), require auditors to be satisfied that the body “has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources”. The auditor’s work on VFM arrangements is undertaken in accordance with the Code and its supporting statutory guidance. The Comptroller and Auditor General has determined through the 2020 Code and guidance that the key output from local audit work in respect of VFM arrangements is the commentary as reported in the Auditor’s Annual Report. It is therefore not a VFM arrangements ‘conclusion’ or an ‘opinion’ in the same sense as the opinion on the financial statements themselves. The Act and the Code require auditors to consider whether the body has put in place ‘proper arrangements’ for securing VFM. The arrangements that fall within the scope of ‘proper arrangements’ are set out in ‘AGN 03 Auditors’ work on VFM arrangements’, which is issued by the NAO. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria:

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services, including how the body:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;

- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance

How the body ensures that it makes informed decisions and properly manages its risks, including how the body:

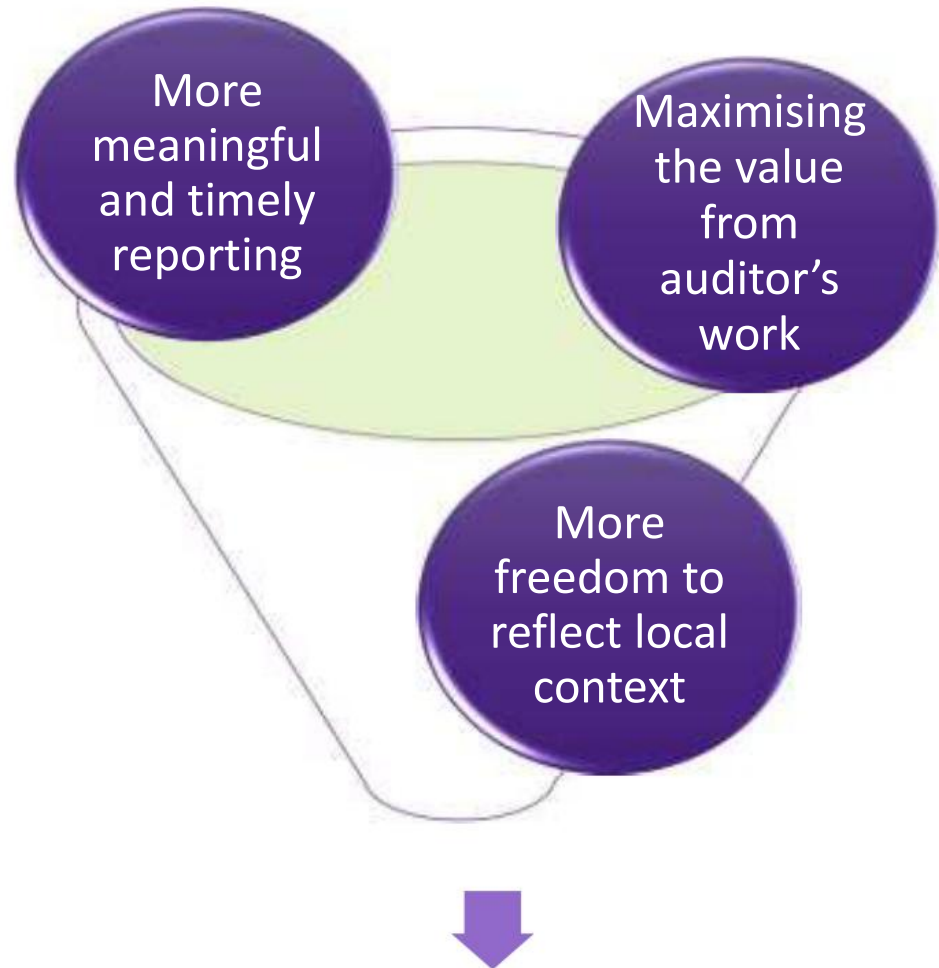
- monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The new approach to Value for Money

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the body evaluates the services it provides to assess performance and identify areas for improvement;
- how the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.



VFM arrangements commentary and recommendations

The new approach to Value for Money

The table below details what will be reported in the Auditor's Annual Report:

Section of report	Content
Commentary on arrangements	An explanation of the VFM work that has been undertaken during the year, including the risk assessment and any further risk-based work. It will also highlight any significant weaknesses that have been identified and brought to the body's attention. The commentary will allow auditors to better reflect local context and draw attention to emerging or developing issues which may not represent significant weaknesses, but which may nevertheless require attention from the body itself.
Recommendations	Where an auditor concludes that there is a significant weakness in a body's arrangements, they report this to the body and support it with a recommendation for improvement.
Progress in implementing recommendations	Where an auditor has reported significant weaknesses in arrangements in the previous year, the auditor should follow up recommendations issued previously and include their view as to whether the recommendations have been implemented satisfactorily.
Use of additional powers	Where an auditor uses additional powers, such as making statutory recommendations or issuing a public interest report, this should be reported in the auditor's annual report.
Opinion on the financial statements	The auditor's annual report also needs to summarise the results of the auditor's work on the financial statements.

The table below details the three types of recommendations that auditors can make. Auditors may make recommendations at any time during the year.

Type of recommendation	Definition
Statutory recommendation	Where auditors make written recommendations to the body under Section 24 and Schedule 7 of the Local Audit and Accountability Act 2014. A recommendation of this type requires the body to discuss and respond publicly to the report.
Key recommendation	Where auditors identify significant weaknesses in a body's arrangements for securing value for money, they have to make recommendations setting out the actions that the body should take to address them
Improvement recommendation	Where auditors do not identify a significant weakness in the body's arrangements, but still wish to make recommendations about how the body's arrangements can be improved

Insight into accounting for grants in local government financial statements – Grant Thornton

The government has provided a range of financial support packages throughout the COVID-19 pandemic.

We have issued a brief bulletin aimed at helping local government bodies identify the key things they should consider when determining the accounting treatment for these grants in their financial statements for 2020/21.

There are no changes to the accounting treatment for grants as required by the CIPFA Code of Practice on Local Authority Accounting. What has changed, is the extent of additional funding to support the cost of services, to offset other income losses along with grant packages to be paid out to support local business. Local authorities need to consider the nature and terms of the various COVID-19 measures in order to determine whether there is income and expenditure to be recognised in the Comprehensive Income and Expenditure Statement in 2020/21.

The report highlights the factors to consider, including:

- Where the funding is to be transferred to other parties, is the authority acting as principal or as agent?
- Are there grant conditions outstanding?
- Is the grant a specific or non-specific grant?

Our bulletin provides you with links to further information on the various support packages and summarises features that may be relevant to your judgements as you determine the appropriate accounting treatment.

Local authorities need to demonstrate their judgements on the accounting treatment to be reasonable and soundly based and, where these have a significant effect on the accounts, to ensure they include sufficient disclosures to meet the requirements of IAS 1:122.

Please ask your audit manager for the full report:



What can be learned from Public Interest Reports? – Grant Thornton

2020 will be remembered as a tumultuous year in local government, with the pandemic creating unprecedented pressure on the sector. It also saw the appearance of two Public Interest Reports (PIRs), followed by another in January this year – the first to be issued in the sector since 2016. PIR's can be issued by local auditors if there are significant concerns around council activity, such as major failings in finance and governance.

The recent PIRs have made headlines because, up to this point, very few have ever been issued. But, as our latest report “Lessons from recent Public Interest Reports” explores, all three illustrate some of the fundamental issues facing the wider sector and provide a lesson for all local authorities around: weaknesses in financial management; governance and scrutiny practices; and council culture and leadership; which, when combined, can provide fertile ground for the kind of significant issues we might see in a PIR.

The COVID-19 pandemic highlighted four essential factors we probably always knew about local government, have often said, but which are now much better evidenced:

- 1) Local government has provided fantastic support to its communities in working with the NHS and other partners to deal with the multifaceted challenges of the pandemic.
- 2) Britain's long centralised approach to government has been exposed to some degree in terms of its agility to tailor pandemic responses to regional and local bodies. This is recognised by the current government who continue to pursue the options for devolution of powers to local bodies. Track and Trace delivered centrally has not been as successful as anticipated and, according to government figures, local interventions have had more impact.

- 3) Years of reduced funding from central government have exposed the underlying flaws in the local authority business model, with too much reliance on generating additional income.
- 4) Not all authorities exercise appropriate care with public money; not all authorities exercise appropriate governance; and not all authorities have the capability of managing risk, both short and long term. Optimism bias has been baked into too many councils' medium-term plans.

The PIRs at Nottingham City Council (August 2020), the London Borough of Croydon (October 2020), and Northampton Borough Council (January 2021) are clear illustrations of some of the local government issues identified above. The audit reports are comprehensive and wide-ranging and a lesson for all local authorities. Local authorities have a variety of different governance models. These range from elected mayor to the cabinet and a scrutiny system approach, while others have moved back to committee systems. Arguments can be made both for and against all of these models. However, in the recent PIR cases, and for many other local authorities, it's less about the system of governance and more about how it operates, who operates it and how willing they are to accept scrutiny and challenge.

There are a number of lessons to be learned from the recent PIR reports and these can be broken down into three key areas which are explored further in our report:

- 1) The context of local government in a COVID-19 world
- 2) Governance, scrutiny, and culture
- 3) Local authority leadership.

The full report is available here:

[Lessons from recent Public Interest Reports | Grant Thornton](#)

Annual Transparency Report – Grant Thornton

As auditors of several listed entities as well as nearly one hundred major local audits, we are required as a firm to publish an annual transparency report.

The report contains a variety of information which we believe is helpful to audit committees as well as wider stakeholders. The Financial Reporting Council (FRC) in their thematic review of transparency reporting noted that they are keen to see more Audit Committee Chairs actively engaging and challenging their auditors on audit quality based on the information produced in Transparency reports on a regular basis. We agree with the FRC and are keen to share our transparency report and discuss audit quality with you more widely.

The transparency report provides details of our:

- Leadership and governance structures
- Principle risks and Key Performance Indicators
- Quality, risk management and internal control structure
- Independence and ethics processes
- People and culture
- Compliance with the Audit Firm Governance code and EU Audit directive requirements

We have made significant developments in the year as part of our Local Audit Investment Plan to improve our audit quality. We welcome an opportunity to discuss these developments and our transparency report should you wish.



The full report is available here:

[Transparency report 2020 \[grantthornton.co.uk\]](https://www.grantthornton.co.uk/transparency-report-2020)

Local government finance in the pandemic – National Audit Office

The National Audit Office (NAO) report, published in March, notes “The COVID-19 pandemic has been an unprecedented public health and economic emergency. Local authorities in England have made a major contribution to the national response to the pandemic, working to protect local communities and businesses, while continuing to deliver existing services. The pandemic has in turn placed significant pressure on local authorities’ finances, which in many cases were already under strain going into the pandemic.”

The NAO report examines if the Department’s approach to local government finance in the COVID-19 pandemic enabled it to assess and fund the costs of new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector.

The NAO report concludes “Steps taken by the government, led by the Department, have supported local authorities in the COVID-19 pandemic response. The Department’s successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector has averted system-wide financial failure at a very challenging time and means that the Department has managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020-21 year-end budgets. Despite continuing support into 2021-22 the outlook for next year is uncertain. Many authorities are setting budgets for 2021-22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.”

The NAO report found that “the combined impact on spending and non-tax income in 2020-21 is £9.7bn – equivalent to 17.6% of revenue expenditure. So far the government has announced £9.1bn of financial support, leaving a deficit of £605m.”



The full report can be obtained from the NAO website:

[Local government finance in the pandemic - National Audit Office \(NAO\) Report](#)

Local authority Covid-19 pressures – MHCLG

Outturn figures from the Ministry for Housing, Communities and Local Government (MHCLG) show that local authorities in England reported additional cost pressures of £12.8bn relating to Covid-19 in 2020-21. Overall, local authorities spent £7.2bn responding to the pandemic last year, with the largest share of additional expenditure going on adult social care services at £3.2bn.

Additional expenditure due to COVID-19 by class and service area (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Adult Social Care – total	0.473	1,254.880	848.656	663.404	413.842	3,181.254
Children's social care - total (excluding SEND)	0.000	94.933	131.127	89.799	62.987	378.846
Housing - total (including homelessness services) excluding HRA	63.129	5.254	74.949	42.281	112.971	298.584
Environmental and regulatory services - total	33.564	68.097	67.512	66.704	63.556	299.433
Finance & corporate services - total	48.222	53.445	83.984	76.923	78.284	340.858
All other service areas not listed in rows above	184.550	634.578	584.924	564.737	395.137	2,363.926
Total	329.937	2,111.187	1,791.153	1,503.848	1,126.777	6,862.902



The figures are available in full here: <https://www.gov.uk/government/publications/local-authority-covid-19-financial-impact-monitoring-information>

Income losses due to COVID-19 by class and source of income (£ millions) (2020-21)

	Shire District	Shire County	Unitary Authority	Metropolitan District	London Borough	Total
Business rates	276.498	0.000	194.192	207.351	537.667	1,215.708
Council tax	399.037	0.000	217.633	191.219	232.727	1,040.616
Sales fees and charges	516.426	194.923	553.907	396.745	475.728	2,137.728
Commercial income	82.448	24.159	120.629	204.211	52.154	483.600
Other	33.494	39.947	27.163	53.664	45.166	199.435
Total	1,307.903	259.029	1,113.524	1,053.190	1,343.441	5,077.087

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "CIPFA's Financial Resilience Index is a comparative analytical tool that may be used by Chief Financial Officers to support good financial management, providing a common understanding within a council of their financial position.

The Index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by extensive financial resilience work undertaken by CIPFA over the past five seven years, public consultation and technical stakeholder engagement.

Section 151 officers may also use the index in their annual report to the council setting out the proposed budget for the year and medium-term financial strategy.

While the impact of COVID-19 resulted in a delay to the publication of the index, it is still able to provide a comprehensive pre-COVID baseline, illustrating the financial resilience of authorities as they entered the pandemic."

CIPFA found that "there was a real-terms reduction of £800m in the level of reserves in 2020 compared with the previous year. At the end of March 2020 council reserves levels stood at £24.6bn, around 3% lower than £25.4bn recorded at the same period in 2019."

CIPFA note "The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."



The Financial Resilience tool is available on the CIPFA website below:

<https://www.cipfa.org/services/financial-resilience-index-2021?crdm=0>

Good practice in annual reporting – National Audit Office

The National Audit Office (NAO) state that the guide, launched in February, “Sets out our good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area.

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

The NAO also state that the guide “provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.”

However, The NAO observe “Done well, reporting in the public sector enables the public and Parliament to understand – with ease and confidence – an organisation’s strategy and the risks it faces, how much taxpayers’ money has been spent and on what, and what has been achieved as a result.”

Further, the NAO note “The significant impacts of the pandemic emerged in the UK in mid-March 2020. This means that, for many organisations, the reporting impact will be greater in 2020-21 than in the prior year. Transparent annual reporting will help stakeholders understand the impact of COVID-19 on an organisation’s strategy, plans and operational and financial performance.”



The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

Government response to Redmond review – MHCLG

Government has published an update on the Ministry of Housing, Communities & Local Government response to Sir Tony Redmond’s independent review into the effectiveness of external audit and transparency of financial reporting in local authorities.

The MHCLG press release states “The Audit, Reporting and Governance Authority (ARGA) – the new regulator being established to replace the Financial Reporting Council (FRC) – will be strengthened with new powers over local government audit, protecting public funds and ensuring councils are best serving taxpayers.

The new regulator, which will contain a standalone local audit unit, will bring all regulatory functions into one place, to better coordinate a new, simplified local audit framework.

ARGA will continue to act as regulator and carry out audit quality reviews as the FRC does now. It will now also provide annual reports on the state of local audit and take over responsibility for the updated Code of Local Audit Practice – the guidelines councils are required to follow.

The government has confirmed that the Public Sector Audit Appointments (PSAA) will continue as the appointing body for local audit, in charge of procurement and contract management for local government auditors.

In the immediate term, MHCLG will set up and chair a Liaison Committee, which will comprise senior stakeholders across the sector that will oversee the governance of the new audit arrangements and ensure they are operating effectively.”

The press release goes on to state the “measures finalise the government’s response to Sir Tony Redmond’s independent review into local audit, carried out last year.

The government has already announced £15 million to support councils with additional costs in audit fees, and recently consulted on the distribution of this funding. Government is also consulting on improving flexibility on audit fee setting and has extended the deadline for when councils must publish their audited accounts.



The press release can be found here:

<https://www.gov.uk/government/news/government-publishes-update-to-audit-review-response>

2019/20 audited accounts – Public Sector Audit Appointments

In December 2020 Public Sector Audit Appointments (PSAA) published figures relating to the audit of 2019/20 local authority financial statements.

PSAA report “Audit arrangements in local councils, police, fire and other local government bodies are continuing to exhibit signs of stress and difficulty. In the latest audit round, focusing on 2019/20 financial statements and value for money arrangements, fewer than 50% of bodies’ audits were completed by the revised target of 30 November.

Figures compiled by PSAA, the organisation responsible for appointing auditors to 478 local bodies, reveal that 55% (265) of audit opinions were not issued by 30 November. This is a further deterioration on 2018/19 audits when 43% of opinions (210 out of 486) were delayed beyond the then target timetable of 31 July.”

By 30 November, Grant Thornton had signed 113/208 audits (a 55% completion rate), meaning that only 45% of audit opinions were not signed by 30 November, compared to the 55% all firms average.

PSAA go on to note “This year’s timetable has been deliberately eased by Ministers in recognition of the underlying pressures on the audit process and the significant added complications arising from the Covid-19 pandemic. The pandemic has posed practical challenges for bodies in producing accounts and working papers, and for auditors to carry out their testing. Both sets of staff have had to work remotely throughout the period, and the second national lockdown came at a critical point in the cycle.

Questions and concerns about the potential implications of the pandemic for some bodies have meant that both finance staff and auditors have needed to pay particular attention to the financial position of each entity. Additionally, following a series of increasingly challenging regulatory reviews, auditors have arguably been more focused than ever on their professional duty to give their opinion only when they are satisfied that they have sufficient assurance.”



The news article can be found here:

[News release: 2019/20 audited accounts – PSAA](#)

Consultation on 2023-24 audit appointments – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) is consulting on the Draft prospectus for 2023 and beyond.

PSAA state “Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
- establishing arrangements that are able to evolve in response to changes to the local audit framework.”

The plans include proposals to adjust the procurement ratio between quality and costs from an equal 50:50 to 80:20, as well as trying to bring new suppliers in to the market.

The consultation on the PSAA’s proposals closes on 8 July.



The news article can be found here:

<https://www.psa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/prospectus-2023-and-beyond/draft-prospectus-for-2023-and-beyond/page/7/>

Councils given power to build more homes for first time buyers and for social rent – MHCLG

The Ministry of Housing, Communities & Local Government (MHCLG) has announced that councils in England will have more freedom on how they spend the money from homes sold through Right to Buy to help them build the homes needed in their communities.

The MHCLG press release states the “package will make it easier for councils to fund homes using Right to Buy receipts, including homes for social rent, and give them greater flexibility over the types of homes they provide to reflect the needs of their communities.

It will also give councils more time to use receipts and to develop ambitious building programmes. The government wants homes supplied using Right to Buy receipts to be the best value for money, and to add to overall housing supply, to help towards delivering 300,000 new homes a year across England by the mid-2020s.”

The press release goes on to note “New measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.”



The press release can be found here:

<https://www.gov.uk/government/news/councils-given-power-to-build-more-homes-for-first-time-buyers-and-for-social-rent>



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Meeting Date: 24 September 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: Not applicable
 Within Policy and Budget Framework YES
 Public / Private Public

Title: INTERNAL AUDIT PROGRESS 2021/22 (JULY TO SEPTEMBER)

Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
 Report Number: RD39/21

Purpose / Summary:

This report provides an overview of the work carried out by Internal Audit between July and September of 2021/22. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2021/22;
- ii) receive the final audit assignments as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

Tracking

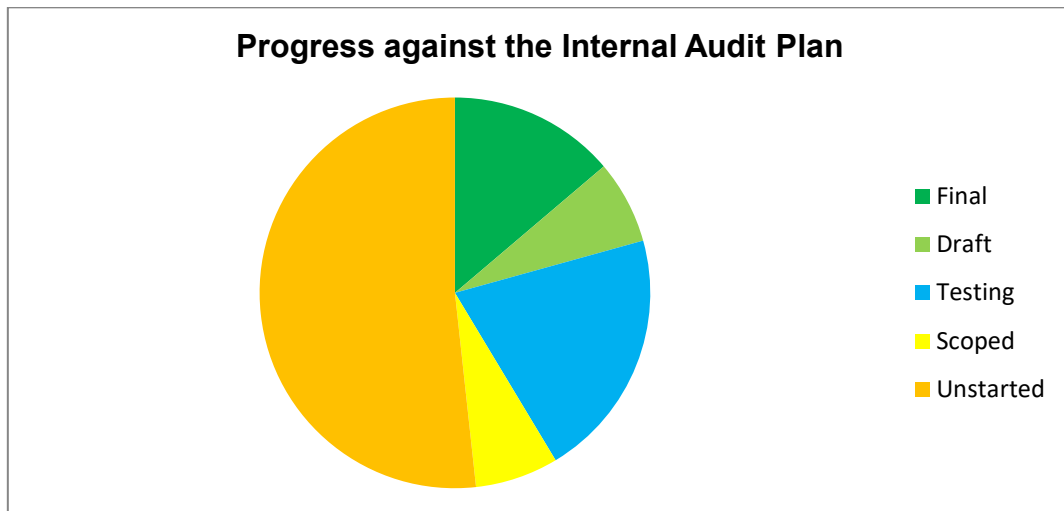
Audit Committee:	24 September 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 Management is responsible for establishing effective systems of governance, risk management and internal controls. It is the responsibility of management to establish appropriate arrangements to confirm that their systems are working effectively, that all information within them is accurate and that they are free from fraud or error.
- 1.2 Internal Audit's role is to provide independent assurance to senior management and the Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.
- 1.3 This report summarises the work carried out by Internal Audit in the period July 2021 to September 2021. The Committee are reminded that work on the 2021/22 plan did not properly start until June due to time being allocated to complete the 2020/21 plan at the start of the financial year.

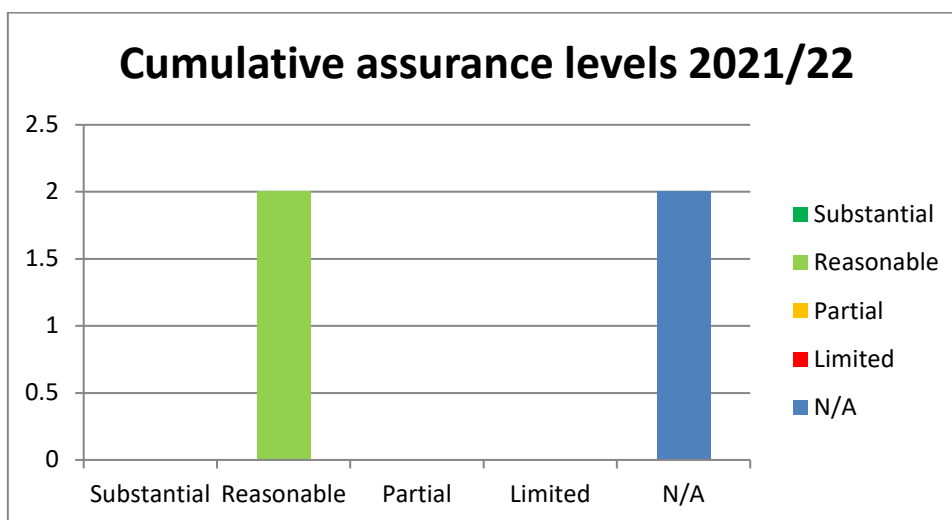
2. PROGRESS AGAINST AUDIT PLAN

- 2.1 Progress against the 2021/22 audit plan is detailed at **Appendix 1**. 21% of planned reviews have been finalised to draft stage and total of 40% of planned reviews are at an advanced testing stage.



- 2.2 4 planned pieces of work were completed in the period.

Review Area	Assurance Level
Internal Control Questionnaires	N/A
Third Sector Grant Funding (VFM)	Reasonable
Good Governance Principles / AGS	N/A
Community Centres	Reasonable



2.3 Internal Control questionnaires were collated and completed by both Senior Managers (for general directorate assurances over governance arrangements) and officers responsible for main financial systems not audited in the previous financial year. These contributed towards completion of the Annual Governance Statement, which forms part of the final accounts for 2020/21.

3 PERFORMANCE INDICATORS

3.1 To provide an effective internal audit service, there needs to be a measure of the performance it achieves. The table below shows progress against indicators agreed for 2021/22.

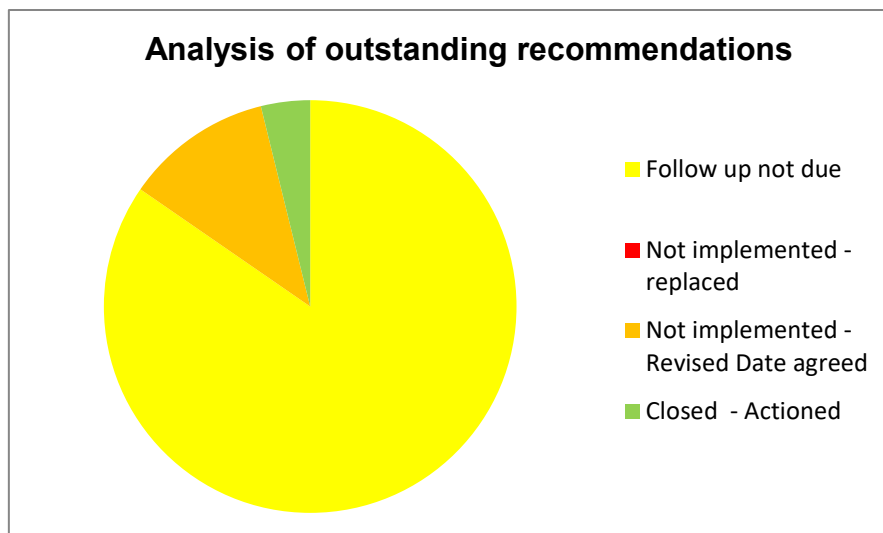
Indicator	Target (YTD)	Performance	Comments
Planned Audits Completed	45%	14%	Annual target 90%
Timely Draft Reports (within 3 months of fieldwork starting)	80%	50%	
Timely Final Reports (within 8 days of client response)	90%	100%	
Recommendations Agreed	95%	100%	
Assignments completed (within 10% of allocated resource)	60%	75%	
Positive feedback	90%	-	No responses to date
Chargeable time	80%	66%	
Recommendations implemented first time	80%	100%	

3.2 While only 14% of reviews have been finalised (and 21% completed to draft) at the time of reporting, the Committee are reminded that work on the 2021/22 plan did not commence in earnest until June 2021, so this represents four months audit work.

- 3.3 Progress on the plan has been impacted by a further period of long-term sickness absence within the team.
- 3.4 Given the resource challenges still faced by Internal Audit, in addition to the announcement relating to Local Government Re-organisation and an ongoing rapidly changing risk environment, a thorough review of the Internal Audit plan will be carried out in Autumn 2021, including consideration of any additional resources required by the team. This will include consideration of a further carry forward into the 2022/23 financial year if required.
- 3.5 A revised plan with appropriate audit coverage will be presented to the December 2021 Committee. The Committee are reminded that the approved Audit Charter enables this level of flexibility, which is viewed as an essential component of the planning process, devised to maximise added value that Internal Audit can bring to the organisation.

4 **AUDIT RECOMMENDATIONS**

- 4.1 **Appendix B** shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, internal audit will ask the responsible officer for an update of progress. The responses will then be reported to the next available Audit Committee meeting and, if implemented, will then be removed from the list so that only outstanding recommendations remain. Where the recommendations relate to a partial assurance audit, these will be subject to a formal follow up and will be reported back to Audit Committee separately. New recommendations will be added to the list once final reports are agreed.
- 4.2 6 recommendations out of 24 followed up were found to have been fully implemented (5 in line with original agreed timescales) and are now closed.



4.3 The primary reason for delays in the implementation of recommendations relates to the Covid-19 global pandemic, and the additional work this has caused to officers within the organisations as well as the disruption to some Council services. As most services are now returning to normal levels, it is expected that performance on implementation will improve in the next quarter. It is likely that the revised Audit Plan will include provision for additional resource to progress follow up actions, including reporting to SMT.

5. RISKS

5.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

6. CONSULTATION

6.1 not applicable

7. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is requested to

- i) note the progress against the audit plan for 2021/22;
- ii) receive the final audit reports as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix B.

8. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

8.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: Michael Roper

Ext: 7520

**Appendices
attached to report:**

**Appendix A – Progress against Audit Plan and Timeline of
audits**

**Appendix B – Progress against previous Audit
Recommendations**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider a summary of internal audit activity and summaries of specific internal audit reports. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

CARLISLE CITY COUNCIL
PROGRESS AGAINST REVISED AUDIT PLAN 2021/22

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	N/A	N/A	
Health & Well-being	VFM	Small grant payments (Community Services)	10	9	Final	Sep 21	Reasonable	
Council-wide	Governance	Good Governance Principles / Local Code of Conduct	5	3	Final	N/A	N/A	
Health & Well-being	Directorate	Community Centres	20	22	Final	Sep 21	Reasonable	
Council-Wide	Corporate	Environmental Strategy	20	21	Draft			
Property Services	Directorate	Property Income	15	19	Draft			
Neighbourhood Services	Directorate	Neighbourhood Services (Culture Review)	15	13	Testing			
Council-Wide	Consultancy	Business Continuity & Emergency Planning	10	3	Testing			
Neighbourhood Services	Directorate	Recycling (Perf Info)	10	1	Testing			
Development Control	Directorate	Development Control (Complaints procedure)	10	1	Testing			
Council-Wide	Counter-Fraud	Annual fraud review	5	1	Testing			
Community Services	Directorate	Sands Centre Redevelopment	20	12	Testing			
Organisation Development	Directorate	Workforce Development and Training (inc Workforce Strategy and e-learning)	20	3	Scoped			
Regulatory Services	Directorate	Disabled Facilities grants	20	2	Scoped			
Council-Wide	Corporate	Scheme of delegation	5	-				
Neighbourhood Services	Directorate	Fleet Management (inc Strategy)	20	-				
Human Resources	Directorate	Job Evaluation	20	-				

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Digital Services	Directorate	Cyber-Security	20	-				
Development Control	Directorate	Major projects - governance arrangements	20	-				
Property	Directorate	Building Maintenance	20	-				
Homelessness Services	Directorate	Advice Agencies	15	-				
Financial Services	MFS	Financial Services Governance Arrangements	5	-				
Revenues & Benefits	MFS	Council Tax	20	-				
Financial Services	MFS	Creditors (including cheque control)	15	-				
Financial Services	MFS	Main Accounting System & Budget Monitoring (inc MTFP)	20	-				
ICT	Follow Up	ICT Recommendations	5	-				
Financial Services	Counter-Fraud	Procurement review	10	-				
Council-Wide	Consultancy	Project Management	10	-				
Financial Services	Consultancy	E-Purchasing (Ordering/Creditors) (New System)	10	-				
		Follow-up contingency	20	10				
		Counter Fraud Contingency	20	6				
		Advice & Guidance Contingency	10	2				
		Contingency (2020.21)	41	56				
		Audit Committee	16	3				
		Planning & Management	53	38				
		OVERALL TOTAL	557	227				

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
B1703	Flexitime & Toil (Reasonable)	The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.	M	Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Use of flexi bank procedures will be reviewed alongside the flexi policy and additional guidance issued to Managers and staff, if appropriate.	HR Manager	31 March 2019	31 March 2022	4	HR currently looking at simplifying the Flexi / TOIL guidance with consideration to both LGR and the current flexi system approaching end of life. Revised guidance to be issued by end of 2021/22.
B1703	Flexitime & Toil (Reasonable)	The policy should be more specific with regards to guidance for travel for courses / training.	M	Abuse, inconsistent approach and potentially fraudulent claims due to lack of awareness and non-adherence to policy	Existing guidance for travel time, expenses and mileage will be updated for Managers and staff to supplement the current Flexitime scheme.	HR Manager	31 March 2019	31 March 2022	4	
B1804	Casual, Interim & Agency (Reasonable)	The review form should be completed for all agency workers who exceed the 12-week agency rule.	M	Incorrect practice not identified and rectified and could lead to sanctions and reputational damage to the Council.	Form developed, and process will be updated to ensure compliance. Current Agency agreement with Adecco finished 31st January 2019.	HR Manager	31 March 2019	31 July 2021	4	Review of process to be undertaken Autumn 2021, with completion expected by close of 2021/22.
B1804	Casual, Interim & Agency (Reasonable)	A process should be developed to ensure HR are aware of all new agency, casual and intermediary staff to ensure relevant employment checks and processes can be performed	M	There is a risk of reputational damage to the Council due to a failure to manage the contract appropriately	A new process will be implemented to ensure that the recommendations are met.	HR Manager	30 April 2019	31 July 2021	4	
B1804	Casual, Interim & Agency (Reasonable)	A process to cover the administration of agency, casual and intermediary staff should be completed and approved, including ensuring all posts are approved and that use is monitored on an ongoing basis.	H	If procedures and processes are not clearly documented there is a risk that service objectives are not achieved as officers may be unsure of their roles and responsibilities. There is also a risk that this may result in sanctions, litigation and reputational damage to the Council, in addition to the additional financial burden of unapproved staff in post	Existing council policies will be reviewed and amended, as necessary, to include all classes or workers and employees.	HR Manager	30 April 2019	31 July 2021	4	
B1803	Safeguarding (Reasonable)	Recommendation 3 – The Council should ensure all staff required to complete corporate training in relation to adult and child protection complete the relevant modules within Skillgate.	M	Staff are not appropriately trained and as a result individual safeguarding concerns are not raised	A reminder will be issued to all relevant officers asking them to complete the relevant Skillgate training modules.	Corporate Director of Finance and Resources / Workforce Development Manager	01-Jul-19	01 July 2021	4	
D1902	Bereavement Services (Reasonable)	Recommendation 1 – A review of the procedure notes should be undertaken.	M	Procedural changes are not formally recorded and a lack of service continuity in the absence of staff.	Procedure notes will be reviewed and updated where necessary.	Bereavement Services Manager	30 th Nov 2020	30th December 2020	2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. Procedures to be updated by new Head of Service once in post.
D1902	Bereavement Services (Reasonable)	Recommendation 2 – Management should ensure that the identified team priorities are addressed.	M	Identified critical factors which hinder the service are not addressed.	Once R3 is implemented a new appraisal will be completed and team priorities addressed.	Bereavement Services Manager	30 th June 2020		2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. New Service Plan in place and activity underway to share responsibilities between team members. Recommendation can be closed once full team in place.
D1902	Bereavement Services (Reasonable)	Recommendation 4 - The Provision of Crematoria Mutual Aid agreement should be reviewed and updated to ensure that it complies with legislation.	M	Exceeding budget with the use of casual staff.	Discussions will be held with Copeland Council and Legal Services to update the agreement to ensure it is covering the necessary legislation	Bereavement Services Manager	30th April 2020	30 December 2020	2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. Healthy City Manager to progress in conjunction with Information Governance Manager.

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
D1902	Bereavement Services (Reasonable)	Recommendation 5 – The retention schedule and privacy statement should be reviewed to ensure the same retention period is applied.	M	Non-compliance with GDPR legislation resulting in service user details being shared without permission.	The retention schedule will be updated to reflect the current practices and the privacy statement. Discussion will be held with the Information Governance Manager.	Bereavement Services Manager	30th April 2020	30 December 2020	2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. Healthy City Manager to progress in conjunction with Information Governance Manager.
D1902	Bereavement Services (Reasonable)	Recommendation 7 – The memorial forms should be reviewed so that service users are aware their data is being sent to a third-party provider.	M	Non-compliance with GDPR legislation.	Memorial forms will be reviewed and updated accordingly.	Bereavement Services Manager	30th April 2020		2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. Healthy City Manager to progress in conjunction with Information Governance Manager.
D1902	Bereavement Services (Reasonable)	Recommendation 10 – The premises handbook should be completed in full.	M	Non-compliance with Council procedures.	Full review of the premise's handbook will be completed.	Bereavement Services Manager	30th Nov 2020	31 March 2021	2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. Healthy City Manager to progress in conjunction with Property Services.
D1902	Bereavement Services (Reasonable)	Recommendation 12 – The Surveillance Camera Operating Procedure should be completed, and the signage updated in line with the procedure.	M	Non-compliance with Council procedures.	The Surveillance Camera Operating Procedure will be completed and implemented.	Bereavement Services Manager	30th April 2020	31 December 2021	2	Delayed due to absence/vacancies within the team. Recruitment exercise underway to ensure full team in place by January 2022. Healthy City Manager to progress in conjunction with Information Governance Manager.
D1905	Tourist Information Services (Reasonable)	Recommendation 4 - Formal agreements, including data processing agreements should be set up with all third parties that the service processes personal information for. A copy of each third party's privacy notice should be provided and retained.	M	Non-compliance with GDPR legislation resulting in service user details being shared without permission.	Formal agreements, including data processing agreements will be set up with all third parties.	Destination Manager	03 February 2020	31 January 2021	2	Not been possible to complete due to disruption of Covid-19. Proposed review date agreed. No progress identified as part of Q2 follow up
D1905	Tourist Information Services (Reasonable)	Recommendation 11 - The relevant fees and charges schedule should be reviewed as part of the next budget process to ensure it accurately reflects all rates and charges.	M	Failure to obtain value for money for services provided	All fees and charges are now included in the financial process.	Destination Manager	01 October 2019	30 May 2021	2	Relevant update not included as part of latest fees and charges reporting cycle. To be included in 2021/22 exercise. No progress identified as part of Q2 follow up
D1905	Tourist Information Services (Reasonable)	Recommendation 13 - A key list should be documented, and staff should sign for the keys that they have been issued with. Arrangements should be made to have an additional safe key cut. Safe keys should not be retained on the premises overnight.	M	Safeguarding of assets is not effective because of inadequate safeguarding arrangements.	All keys & alarm fobs will be accounted for and signed for by officers in possession of keys for Town Hall.	Destination Manager	31 January 2020	31 January 2021	1	Key holder list now in place. Evidence provided to support. Closed.
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 4 - All existing agreements (including Loomis if necessary) should be reviewed to ensure that they cover the service provided / received, reflect the correct charges and are signed by an authorised signatory from both parties.	M	There is a risk of reputational damage to the Council if an agreement / contract is not in place.	Agreements will be reviewed/set up.	Team Manager (Parking & Enforcement)	30 April 2020	31 March 2022	2	Options currently under review (with potential alternatives to work with neighbouring authorities identified as a result of Local Government Re-organisation). Tender exercise (or alternative approach) to be actioned post completion of discussions. Revised completion date agreed.
D1903 / G1901	Car Parking (inc Income) (Reasonable)	Recommendation 8 - A full review should be completed and brought up to date including setting up a Traders Licence and agreement.	M	There is a risk of reputational damage to the Council if a license / agreement / contract is not in place.	A car park strategy is currently being developed in partnership with Councillors to support our Local economy, some projects in place including Free after 3. Current activity will be looked at and actioned following Legal advice.	Team Manager (Parking & Enforcement)	31 March 2020	31 March 2022	2	A position statement will be produced to support the development of options given recent announcements on LGR
G1902	Treasury Management (Substantial)	Recommendation 1 - Risks should be reviewed by another officer in the absence of the risk owner, in line with the Corporate Risk Management Policy.	M	If risks are not regularly monitored there is a risk that Council priorities are not achieved / supported.	Risk Register contact details to be updated to include a Deputy should the Risk Owner be absent for any reason. Risk Management Assurance Framework to be updated to ensure deputy risk owners are nominated.	Principal Accountant/ Office Manager & PA to Chief Executive	01 July 2020	30 January 2021	2	Risk Management Assurance Framework review is yet to commence . Risk Management Champion is aware of the need to implement this recommendation and will do once the Review is underway.
G1902	Treasury Management (Substantial)	Recommendation 2 - Access to the Accountancy Drive and the folders within this including treasury management should be reviewed and restricted to officers who only need access.	M	There is a risk to the safeguarding of information if data was accidentally changed or deleted by unauthorised individuals.	Password protection to be added to the master cash flow spreadsheet and the password shared with relevant officers. Restrictions were previously in place to limit access for certain individuals to specific folders only. Unsure when or why these have been removed. A review of access to the Accountancy drive to be undertaken with IT and access restricted again where required. Roll out to Office 365 would resolve this going forward.	Technical Finance Officer / Principal Accountant	May 2020 / October 2020	30 April 2021	2	Password protection implemented - review of directory access to be undertaken, which will allow recommendation to be closed.

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
A1902	Absence Management (Partial)	Recommendation 3 – the policy should be revised to ensure it can deliver a consistent and fair approach, including incorporation of actions to address the issues identified within this audit.	H	Inconsistent approach results in failure to manage absences and also potential disciplinary action and employment tribunals.	Task and finish group has been established made up of members and HR to review. First virtual meeting scheduled w/c 15 th June 2020	HR Manager	31 st December 2020			Draft policy to be presented to Employee panel in September for approval. Will be included in formal follow up proposed for start of 2022/23.
A1902	Absence Management (Partial)	Recommendation 7 – Template forms should be revised and consideration should be given to developing a more intuitive electronic process.	H	Forms do not provide relevant information of inform appropriate corrective action, resulting in increased absence. Potential issues in the result of disciplinary action. Forms not completed correctly resulting in accurate information.	As Recommendation 3 review of Policy will ensure new and easier forms & recoding methods. Every attempt will be made to utilise our current systems and/or electronic reporting.	HR Manager	31 st December 2020			
A1902	Absence Management (Partial)	Recommendation 8 – Monitoring, training and support should be provided to managers to ensure a consistent approach is taken towards managing individuals who have hit key trigger points.	H	Inconsistent approach creating difficulties in the event of disciplinary action. Ineffective/excessive action taken, both of which could contribute to increased absence.	As Recommendation 4 review of Policy will ensure new and easier triggers and policy should limit any ambiguity.	HR Manager	31 st March 2021			
A1902	Absence Management (Partial)	Recommendation 11 – A process for ensuring absence information is retained in one location by Human Resources (avoiding duplicate records) should be undertaken, including ensuring information is deleted once it has expired.	H	Increased risk of data breaches, resulting in non-compliance of data protection legislation. Wasted resource used to store duplicate records.	HR and Payroll are moving to electronic only records. All referrals and absence related data should only be kept by HR and Payroll and revised policy will include sections on data retention.	HR Manager	31 st December 2020 (could be earlier as not dependent on Policy review)			
E2002	Local Air Quality Management (Reasonable)	Recommendation 1 – A review of risk management should be undertaken to gain assurance all risks are appropriately identified, recorded and managed.	Medium	Risk management activity is not completed or recorded consistently. Resulting in potential exposure to unidentified and/or uncontrolled risk.	This will be undertaken at the next service review, which is undertaken annually with the service.	Regulatory Services Manager	30-Apr-21			Team appraisal and Service Plan completed for activities into 2021/22. Review of risk register undertaken to enhance risks relating to both LAQM and overall service. Closed.
E2002	Local Air Quality Management (Reasonable)	Recommendation 2 - Action should be taken to ensure the terms and conditions detailed within contract agreement documents developed by external consultants are consistent with City Council requirements.	Medium	Lack of communication of City Council requirements for the control of information/documents shared with a third party leads to uncontrolled exposure to information governance risks.	To be undertaken before next annual report is required to DEFRA. (Summer 2021)	Principal Health and Housing Officer	30 June 2021.			New contract in place with revised terms based on national framework. Closed.
E2002	Local Air Quality Management (Reasonable)	Recommendation 3 - Action should be taken to evidence compliance with City Council Procurement Guidance associated to the use of consultants.	Medium	Lack of compliance with City Council Procurement guidance leads to a lack of assurance in relation to the use of consultants and an inability to demonstrate value for money and inform organisational learning.	Linked into Recommendation 2, to action before next report is required. Guidance has been read and now aware of what is required going forward for use of specialist external consultants.	Principal Health and Housing Officer	30 June 2021.			Procurement advice provided as part of new contract arrangements, New contract in line with procurement rules and part of national framework agreement. Closed.
M2002	Partnership VFM (Reasonable)	Recommendation 1 - Work to complete the Partnership's plan/strategy, specifying shared objectives and priorities should be finalised.	High	Failure to achieve objectives due to lack of strategy in place to ensure progress is made to achieve priorities.	A "State of the Place" session was held with partners in October 20. It was felt given the nature of the situation a short term plan (6-12 months), should be developed (recognised by partners and the DCE). This would then allow for recovery to be considered as we come out of the pandemic.	Partnership Manager	31-Mar-21			Rolling working document now in place with roles and responsibilities clearly stated and setting out clear priorities with targets and progress. Closed.

Ass Code	Audit	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	No.	Status
G2004	Income (Reasonable)	Recommendation 3 – PCI-DSS non-compliance should be subject to formal risk assessment activity to identify and facilitate implementation of required controls, action planning and sources of assurance (both short and long-term).	High	Failure to comply with Payment Card Industry (PCI) Security Standards leading to loss or compromised data and resulting in fines or sanctions.	A risk assessment be completed for PCI-DSS non-compliance and added to the Corporate Risk Register	Financial Services Manager	31-Dec-21			Unable to progress until decision made on Main Financials contract. Decision due late September 2021.

Recommendation evidenced as actioned (Closed)
High grade rec not implemented as timescales not reached - monitor progress quarterly.
Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
Recommendation reviewed and not confirmed as actioned (no response/revised timescales have passed)

Meeting Date: 24 September 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: Not applicable
 Within Policy and Budget Framework YES
 Public / Private Public

Title: Internal Audit Report – Community Services
 Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
 Report Number: RD41/21

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the directorate review of Community Centres.

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Audit Committee:	24 September 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 An audit of Community Centres was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (**Appendix A**) provides reasonable assurances and includes 2 high graded and 6 medium-graded recommendations.

2. RISKS

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. CONSULTATION

- 3.1 Not applicable

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to

- i) receive the final audit report as outlined in paragraph 1.1;

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: Michael Roper **Ext:** 7280
Appendixes Internal Audit Report – Community Services – Appendix A

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

Audit of Community Centres

Draft Report Issued: 22nd July 2021
Director Draft Issued: 7th September 2021
Final Report Issued: 10th September 2021



Audit Report Distribution

Client Lead:	Healthy City Team Manager Communities and Contracts Officer
Chief Officer:	Chief Executive Deputy Chief Executive
Others:	Health and Wellbeing Manager Property Services Manager
Audit Committee:	The Audit Committee, which is due to be held on 24 th September 2021 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Community Centres. This was an internal audit review included in the 2020/21 risk-based audit plan agreed by the Audit Committee on 30th June 2020.
- 1.2 Carlisle City Council supports Community Centres through Grant Funding as part of a wider support packaged for Third Sector organisations. The Community Centres function as independent charities, each with their own Board of Trustees responsible for the operation of their Centre and for the responding to the needs of their local communities. These Community Centres are an integral part of delivering Health and wellbeing improvements to communities across the Carlisle district.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Healthy City Team Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Risk of inappropriate and inconsistent Governance arrangements across the Community Centres, which do not provide adequate assurances that the management of each of the Community Centres is robust and managed appropriately.
 - That the Council does not get the necessary assurances on Value for Money on the use of the Community Centres and exposes the City Council to reputational risks.
 - Unclear funding arrangements based upon historic allocations which are not clearly aligned to performance indicators or the long-term financial stability of the individual Community Centres.
 - Risk of Council Assets not being utilised and managed in an appropriate manner as set out in the SLA and funding arrangements
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Community Centres provide **reasonable assurance**. *Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	1	2
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	1	-
3. Information - reliability and integrity of financial and operational information (see section 5.3)		2
4. Security - safeguarding of assets (see section 5.4)	-	1
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5)	-	1
Total Number of Recommendations	2	6

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in **Appendix A**.

4.3 **Findings Summary (good practice / areas for improvement):**

Management are committed to undertaking an update of monitoring and appropriate reporting arrangements, as is deemed necessary for the Community Centres and they recognise that the previous reporting regime and records management both required significant improvements.

The landscape for funding allocations and management of Community Centres is changing and the needs and appropriate funding mechanisms should be reviewed considering the current best practice across Local Government bodies.

By working with the appropriate professional internal experts, the correct legislative and regulative requirements can be outlined to make sure that robust agreements are put into place for improved relationships and management of Community Centres.

Management are encouraged to work with both Trustees and Community Centre Managers to provide necessary training to ensure that good Governance arrangements are in place at all the Community Centres.

Working with Third Sector organisations can be challenging; however, with the proposed risk management regime being introduced, this will ensure that The Authority can determine and monitor the high-level issues that Community Centres and Trustees are experiencing.

Comment from the Deputy Chief Executive:

This internal audit report has provided officers with a helpful set of recommendations that will improve the Council's governance and funding arrangements with community centres. We will implement and monitor the outcomes of the recommendations identified in the report.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation’s strategic objectives

- 5.1.1** The Healthy City Team service plan 2021-22 clearly sets out the specific objectives to improve community prosperity and access to community grounds across Carlisle. A Communities and Contracts Officer was appointed in November 2020 and their role is targeted at working with Community Centres to delivery these objectives.
- 5.1.2** Documented agreements were in place with each of the Community Centres in 2017/18 that stipulated copies of business plans and annual accounts were submitted to Carlisle City Council; however, these agreements have not been renewed since 2018. The subsequent vacation of posts key to this monitoring role has resulted in difficulties for the administration of Community Centre Grants, with limited documentation to demonstrate robust historic monitoring. This was further compounded by the waiving of provision of information for the 2020/21 financial year following the first COVID lockdown in March 2020.
- 5.1.3** Interim arrangements have been put into place to continue with the historic grant funding arrangements, but management acknowledge that these are not adequate for providing relevant performance measures for the Community Centre Funding that is provided by Carlisle City Council and need to be reviewed as a matter of urgency. As well as financial grant funding support, insurance of the Community Centre premises and maintenance of the buildings, Carlisle City Council also provides various in-kind support and has in the past also helped with Training and development of skill sets for Community Centre Managers and Trustees.
- 5.1.4** As a result of widespread cuts to local council budgets, direct grant funding for Community Centres has seen various reviews to deliver necessary savings. A number of other Local Authorities are now working on different models to provide Community support. A joint report by NAVCA [National Association for Voluntary and Community Action] and NVCO [The National Council for Voluntary Organisations] was published, which outlines how most areas in England have signed up to a local Compact to deliver innovative and creative measures across Community organisations.
- 5.1.5** Carlisle City Council is currently one of the few remaining English Local Authorities, who continue to directly fund Community Centres via Grant Funding allocations.

Recommendation 1 – Review the existing funding arrangements and determine the most appropriate mechanism to provide funding support to the existing Community Centres based on Best Practice across Local Government Authorities

5.1.6 Each of the eleven [11] Community Centres are run as Charitable Trusts in their own right and fall within the remit of funding and management of third sector organisations, with these appointments the roles and responsibilities for each Community Centre Trustee needs to be communicated to all new appointees. Currently 23 elected members of Carlisle City Council sit on various Charitable Boards associated with Community Centres and all these Trustees acknowledge and complete declaration of interests when requested. Additional training will help to demonstrate how The Authority sees the importance and understands the need to work with and “skill-up” the sector by offering valuable in-kind support.

Recommendation 2 – To develop a training program to provide updated Trustee training for elected members and appointees who have roles on the various Charitable Trust Boards

5.1.7 Management have sought advice and guidance on the legislative and regulative requirements that the Authority should follow when funding Community Centres within the third sector, however due to the change in staffing this advice has not been documented and retained.

5.1.8 Documented advice and guidance from professional internal sources (such as Legal Services and Finance) and other similar best practice performing Authorities will help to inform the type and nature of the most suitable agreements required. This valuable professional advice will assist in the development of service guidance and act as a benchmark for performance measures for the Community Centres.

Recommendation 3 – To seek documented internal professional advice on legislative and regulative requirements to establish the most suitable agreements for the management of these Community Centres

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 As has been explained in a previous section, it is necessary that annual agreements are reviewed and are valid and appropriate for the funding mechanisms that are in place between The City Council and Community Centres. A risk exists that the absence of these agreements could be perceived that the Authority has lower performance expectations from the third sector organisations. The type and nature of the funding agreements will be determined following the review and advice recommended above (in Rec 1 & Rec 3.)

Recommendation 4 – Reinstate Annual Agreements with Community Centres

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Ad-hoc meetings have been held with Community Centre Managers and in the past some joint meetings have been held for Group Community Centre information sharing sessions which have helped to highlight best practice and good opportunity to learn what offerings other Community Centres have adopted.
- 5.3.2** With the appointment of the new Communities and Contracts Officer now in post and also an independent Community Lottery Funding post, of Community Centre Development Manager, hosted by Carlisle & District Federation of Community Organisations [C&DFCO] more information sharing and meetings should be encouraged to further develop these relationships and where appropriate to increase efficiency and reduce duplication in the various local Third Sector organisations.
- 5.3.3** Historic funding allocations have been in place for the Grant funding of the Community Centres, which were determined in 2000 on initial “payroll costs” and have never subsequently had a zero-based budget approach applied.
- 5.3.4** In previous budget setting cycles, various efficiency savings were identified and have been delivered across most of the Community Centres. The Authority will need to find ways to ensure that the intelligent monitoring is adopted with Community Centres and this may involve more collaborative budgeting to ensure financial sustainability of the Community Centres as registered Charities in the Third Sector.

Recommendation 5 – Develop Intelligent Monitoring with all Community Centres Managers and Trustees that help to enhance the financial sustainability of each of the Community Centres

- 5.3.5** Operationally each of the Community Centres are required to manage their own independent risk registers and contingency plans as independent registered charities. During the audit evidence of these risk registers or contingency plans were not available for inspection.
- 5.3.6** In the future it would be good practice for each of the Community Centres to send their top 3 Operational Risks to The Authority on a regular (quarterly) reporting cycle to ensure that common risks and operational issues are being addressed and monitored by The Authority.
- 5.3.7** However, it is worth noting that the response and adaptation required by the local Communities has been well managed by the Community Centres during the 2020 Covid

Pandemic and was reported to Health and Wellbeing Scrutiny Panel in February 2021 for recognition of the efforts and support that was available.

Recommendation 6 – To Introduce a High Level Operational Quarterly Risk Register update and monitoring review across Community Centres

5.4 Security – Safeguarding of Assets

5.4.1 The majority of Community Centre buildings are owned by the authority.

5.4.2 Currently lease agreements are in place, but some of these are historic and are due for renewal. A selection of the leases were inspected as part of the audit, but a further review is planned to be carried out on the management of these Council owned assets. The maintenance of these Community Centres is also the responsibility of the authority.

5.4.3 Detailed Condition survey reports were last carried out in 2017 and copies of these were inspected as part of the audit, the next condition report review on Council Property will be commissioned later in 2021. The Property maintenance is carried out and managed internally by The Authority and each job is allocated a Revenue Job card. In a few instances, some clarification was required on whether jobs were detailed repairs and maintenance or actual improvements to the buildings. This is an area that should be explored further when the Asset Management Audit is carried out and some possible agreement reached for the updated Lease agreements.

Recommendation 7 – To ensure that updated lease agreements are put into place with appropriate maintenance and improvement criteria clauses incorporated.

5.5 Value – effectiveness and efficiency of operations and programmes

5.5.1 The Community Centres are directly aligned to Carlisle Plan Priorities:

- “Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle.”
- “Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents.”

5.5.2 To monitor and report upon these key Council Plan priorities, it is imperative that reliable and robust performance indicators are monitored and reported upon on a regular and timely basis.

5.5.3 The expected outcomes & measures from these Community Centres need to be determined by The Authority. These performance indicators should then be shared with Community Centre Managers who can ensure that the outcomes are monitored and reported upon accordingly.

Recommendation 8 – To develop appropriate performance indicators for Community Centres with outcomes and monitoring reviews communicated

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 - Review the existing funding arrangements and determine the most appropriate mechanism to provide funding support to the existing Community Centres based on Best Practice across Local Government Authorities.	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres	Review current funding arrangements against best practice from across Local Government Authorities. Recommend and implement funding arrangement dependant upon outcome of review.	Healthy City Team Manager	31/12/2021
Recommendation 2 - To develop a training program to provide updated Trustee training for elected members and appointees who have roles on the various Charitable Trust Boards	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres	Contact APSE to arrange Trustee training for elected members and appointees who have roles on Charitable Trust Boards.	Healthy City Team Manager	30/12/2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3 - To seek documented internal professional advice on legislative and regulative requirements to establish the most robust agreements for the management of these Community Centres	H	Unclear funding arrangements, and reputational risk to The Authority	Contact legal service for documented advice on the legislative and regulative requirements of Community Centre funding agreements for 2022/23 financial year.	Healthy City Team Manager	30/1/2022
Recommendation 4 – Reinstate Annual Agreements with Community Centres	H	Unclear funding arrangements, and reputational risk to The Authority	Reinstate annual agreements.	Healthy City Team Manager	01/04/2022
Recommendation 5 - Develop Intelligent Monitoring with all Community Centres Managers and Trustees that help to enhance the financial sustainability of each of the Community Centres	M	Unclear funding arrangements, and reputational risk to The Authority	Request centres to detail their status against their reserves policy and report against this. Implement appropriate financial health checks by finance team as condition of grant agreement.	Healthy City Team Manager	01/04/2022

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 6 – To Introduce a High Level Operational Quarterly Risk Register update and monitoring review	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres Reputational Risk to The Authority	Introduce a high level operational quarterly risk register.	Healthy City Team Manager	30/12/2021
Recommendation 7 – To ensure that updated lease agreements are put into place with appropriate maintenance and improvement criteria clauses incorporated.	M	Risk of Council Assets not being utilised and managed in an appropriate manner as set out in the SLA and funding arrangements	Work with the property team to ensure that update lease agreements are in place. Implement monitoring of lease to under lease expiry dates.	Property Services Manager	01/04/2022
Recommendation 8 – To develop appropriate performance indicators for Community Centres with outcomes and monitoring reviews communicated	M	Third sector organisations do not achieve best value for The Authority	Review outcomes and monitoring reviews and implement appropriate measures that are in line with the service plan. Explore viability of aligning outcome monitoring to social determinates and health inequalities.	Healthy City Team Manager	01/04/2022

Appendix B - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Meeting Date: 24 September 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: Not applicable
 Within Policy and Budget Framework YES
 Public / Private Public

Title: Internal Audit Report – Third Sector Grant Funding (VFM)
 Report of: CORPORATE DIRECTOR FINANCE & RESOURCES
 Report Number: RD41/21

Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2021/22 and considers the value for money review of Third Sector Grant Funding.

Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

Tracking

Audit Committee:	24 September 2021
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 A value for money audit of Third Sector Grant Funding was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2021/22. The audit (**Appendix A**) provides reasonable assurances and includes 1 high graded and 6 medium-graded recommendations.

2. RISKS

- 2.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

3. CONSULTATION

- 3.1 Not applicable

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to

- i) receive the final audit report as outlined in paragraph 1.1;

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: Michael Roper **Ext:** 7280
Appendixes Internal Audit Report – Third
Sector Grant Funding – Appendix
A

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider summaries of specific internal audit reports. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

Third Sector Grant Funding (VFM)

Draft Report Issued: 23rd June 2021

Director Draft Issued: 25th July 2021

Final Report Issued: 26th July 2021



Audit Report Distribution

Client Lead:	Healthy City Team Manager Communities and Contracts Officer
Chief Officer:	Chief Executive Deputy Chief Executive
Others:	Health and Wellbeing Manager
Audit Committee:	The Audit Committee, which is due to be held on 24 th September 2021 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Third Sector Grant Funding (VFM) This was an internal audit review included in the 2021/22 risk-based audit plan agreed by the Audit Committee on 15th March 2021.
- 1.2 The Health City Team provides annual funding for the following third sector organisations: Cumbria Law Centre, Cumbria Council for Voluntary Services and Citizens Advice Carlisle & Eden. Third sector organisations are independent of government, value driven (that is in pursuit of social, environmental or cultural objectives rather than primarily aiming to make a profit) and they reinvest any surpluses in the pursuit of their objectives. Historical documented agreements were in place with these organisations in 2017/18, detailing the required outputs and outcomes in exchange for the annual funding. The Authority's Financial Procedures detail that all members of staff have a general responsibility for ensuring that the use of resources provides value for money and achieves best value.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Client Lead for this review was the Healthy City Team Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risks:
 - Interim arrangements have not been developed to demonstrate value for money
 - Relevant and balanced performance indicators are not regularly reviewed
 - Appropriate, documented arrangements are not in place to verify delivery of key outcomes
 - Services delivered by grant recipients are not aligned to Council objectives
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix B** for definitions).

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Small Business Grants (VFM) provide **reasonable assurance**. *Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. Management - achievement of the organisation’s strategic objectives achieved (see section 5.1)	1	1
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. Information - reliability and integrity of financial and operational information (see section 5.3)	-	1
4. Security - safeguarding of assets (N/A)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.4)	-	2
Total Number of Recommendations	1	6

4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.3 **Findings Summary (good practice / areas for improvement):**

Management have determined and documented key objectives for the funding of third sector organisations in the 2021-22 Healthy City Team Service Plan.

A significant amount of research has been undertaken on the outputs and outcomes of third sector organisations in the last six months. Seeking documented advice on legislative and regulative requirements will complete the required research.

Capturing learning in service guidance will clarify processes and procedures for staff to follow and set standards to be maintained.

Reinstatement of annual agreements with third sector organisations will clarify the outputs and outcomes (best value) to be achieved.

Regular monitoring of those outputs and outcomes and the recording of key discussions, will further increase focus on achievement of best value.

Proportionate annual financial checks will determine if third sector organisations continue to operate as a going concern.

Current Healthy City Team management acknowledge that past service standards for third sector grant funding have not been consistently maintained. There is a single high-level recommendation to review and implement robust continuation of service arrangements, helping to ensure a consistently high standard of grant funding management moving forward.

Comment from the Deputy Chief Executive:

It is encouraging that the arrangements now in place for monitoring and developing relationships with these third sector organisations appears to be working well. The recommendations outlined in this report will prove valuable to officers as more robust and progressive arrangements are implemented.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation’s strategic objectives

- 5.1.1** The Health City Team service plan 2021-22 details specific objectives to review grant making best practice and the impact of third sector funding. A Communities and Contracts Officer was appointed in November 2020, and significant research has been undertaken since to establish how future third sector organisational outcomes and outputs will add best value to the authority.
- 5.1.2** Documented agreements were in place with the three third sector organisations in 2017/18. The agreements detailed the outcomes and outputs required in exchange for regular annual funding, although they were not renewed in April 2018. Subsequently, management encountered staffing difficulties for the administration of third sector funding, and there is limited documentation to demonstrate robust historical monitoring. Evidence of third sector outputs and outcomes were requested from third sector organisations in February 2020, then subsequently waived for the financial year following the first COVID lockdown in March 2020.
- 5.1.3** Current management acknowledge that renewal of the third sector agreements in April 2018 would have been best practice. It is recommended management carry out a review of the circumstances that led to the reduced level of monitoring and implement robust continuation of service arrangements. This will help to ensure that future best value of third sector organisations is consistently maintained.

Recommendation 1 – Review business continuity arrangements for management of third sector funding.

- 5.1.4** Management have sought advice and guidance on the legislative and regulative requirements that the Authority should follow when funding third sector organisations, although the advice was not documented and retained.
- Documented advice and guidance from professional internal sources and other similar high performing authorities will inform the type and nature of the agreements required, assist in the development of service guidance, and act as a benchmark for performance measurement.

Recommendation 2 – Seek documented advice on legislative and regulative requirements.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

5.2.1 There is a danger that in the absence of annual agreements, third sector organisations will perceive that the Authority has accepted a lower performance expectation. It is recommended that annual agreements are reinstated, detailing the outputs and outcomes (best value) to be demonstrated in exchange for regular annual funding. The type and nature of the agreement (contract, SLA) will be determined following the advice received (rec 2).

Recommendation 3 – Reinstate annual agreements with third sector organisations.

5.2.2 A significant amount of research has been undertaken in the last six months on third sector funding best practice; the Healthy City Team Service plan 2021-22 details that the best practice review will be concluded in October 2021. Following the review, service guidance, commensurate with the size and nature of third sector funding, should be documented.

Recommendation 4 – Document service guidance for third sector funding.

5.3 Information – reliability and integrity of financial and operational information

5.3.1 Periodic meetings have been held with the Chief Executive Officers of the third sector organisations in scope as part of the current research undertaken. It is recommended that key discussions and decisions made during future meetings are recorded and retained for reference.

Recommendation 5 – Key discussions and decisions to be recorded and retained.

5.4 Value – effectiveness and efficiency of operations and programmes

5.4.1 Expected outputs and outcomes of third sector organisations are currently being determined following the recent research undertaken. Achievement of those outputs and outcomes should then be subject to regular monitoring and review, allowing management to take informed decisions on performance and determine if further funding is recommended.

Recommendation 6 – Regular monitoring of third sector organisation performance.

5.4.2 Financial checks are not currently undertaken on third sector organisations prior to releasing grant funding payments. Suitable and proportionate annual financial checks should be undertaken to give reasonable assurance that each third sector organisation is a going concern, and not likely to default on their commitments.

Recommendation 7 - Suitable and proportionate annual financial checks to be undertaken.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Review business continuity arrangements for management of third sector funding.	H	Third sector organisations do not achieve best value for the Authority.	Business continuity arrangements to be reviewed and documented so that Communities and Contracts Officer role can be re-allocated to trained staff at short notice	Healthy City Team Manager	30/09/2021
Recommendation 2 – Seek documented advice on legislative and regulative requirements.	M	Third sector funding not managed to the required standard.	Legal advice sought to be documented in service guidance	Healthy City Team Manager	30/11/2021
Recommendation 3 – Reinstate annual agreements with third sector organisations.	M	Third sector organisations unclear on the best value standards to be achieved.	New grant funding agreements being drafted by Legal to be signed by all third sector organisations	Healthy City Team Manager	30/09/2021
Recommendation 4 – Document service guidance for third sector funding.	M	Lack of management guidance to staff on third sector funding arrangements.	Procedure to be drafted to provide best practice guidance	Healthy City Team Manager	30/11/2021
Recommendation 5 – Key discussions and decisions to be recorded and retained.	M	Reasons why decisions taken lack transparency.	All meetings with funded organisations to be recorded and retained.	Healthy City Team Manager	09/07/2021

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 6 – Regular monitoring of third sector organisation performance.	M	Third sector organisation does not meet the required performance standards and management unaware.	Performance of grant agreements to be monitored on a quarterly basis.	Healthy City Team Manager	09/07/2021
Recommendation 7 - Suitable and proportionate annual financial checks to be undertaken.	M	Organisation becomes insolvent following Authority funding.	Finance team to undertake proportionate check before issuing of grant agreements.	Healthy City Team Manager	30/10/2021

Appendix C - Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited/None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

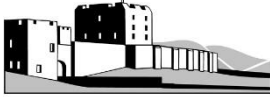
Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).



Meeting Date: 24 September 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2021
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 34/21

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2021/22, was received by the Executive on 31 August 2021. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms.

Recommendations:

That the report be noted.

Tracking

Executive:	31 August 2021
Audit Committee:	24 September 2021
Council:	Not applicable

Report to Executive

Agenda
Item:

Meeting Date: 31 August 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2021
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
 Report Number: RD 34/21

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received, and the Prudential Indicators noted as at the end of June 2021.

Tracking

Executive:	31 August 2021
Audit Committee:	24 September 2021
Council:	Not applicable

1. BACKGROUND

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period April– June 2021

- **Appendix A1** – Treasury Transactions April to June 2021
- **Appendix A2** – Investment Transactions April to June 2021
- **Appendix A3** – Outstanding Investments at June 2021

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2021/22

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

2. RISKS

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. CONSULTATION

3.1 Audit Committee will consider the report on 24 September 2021.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That this report is received, and the Prudential Indicators noted as at the end of June 2021.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Emma Gillespie **Ext:** 7289

Appendices attached to report:
Appendix A1 – Treasury Transactions
Appendix A2 – Investment Transactions
Appendix A3 – Outstanding Investments
Appendix B1 – Prudential Code background
Appendix B2 – Prudential Indicators

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS

Legal – Treasury Management activities are delegated to the Corporate Director of Finance and Resources and Financial Procedure Rule 3.19 requires that she prepare an annual report on the topic. This Report fulfils that obligation.

Property Services – Not applicable

Finance – Included in the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty

Information Governance – No implications

TREASURY TRANSACTIONS
APRIL to JUNE 2021

1. LOANS (DEBT)1.1 Transactions April to June 2021

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0.00	0	0.00
Local Bonds	0	0.00	0	0.00
Short Term Loans	0	0.00	0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report.

1.2 Loans (Debt) Outstanding at end of June 2021

	£
PWLB	13,287,500
Short Term Loans	12,800
	13,300,300

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end June 2021	475,000	0	12,800	487,800

2. INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	20,700,000	0.01-0.190	10,700,000	0.01-0.01
	20,700,000		10,700,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2021. The weighted average return achieved on all investments as at the end of June was 0.79%. Bank base rate is currently 0.10%.

3. REVENUES COLLECTED

To: June 2021		Collected £	% of Amount Collectable %
2021/22	Council Tax	20,326,669	28.88
	NDR	8,764,152	32.61
Total		29,090,821	29.61
2020/21	Council Tax	18,885,338	28.22
	NDR	6,493,519	28.27
Total		25,378,857	28.23
2019/20	Council Tax	18,583,582	29.07
	NDR	13,667,431	31.14
Total		32,251,012	29.92

4. BANK BALANCE

At end of June 2021, £1,172,032 in hand.

This is the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET
TO END OF JUNE 2021
 April – June 2021

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(42)	(43)	(1)
Interest Payable	103	0	(103)
Less Rechargeable	0	0	0
	103	0	(103)
Principal Repaid (MRP)	0	0	0
Debt Management	12	13	1
NET BALANCE	73	(30)	(103)

The profiled budget is to the end of June 2021.

Interest receivable is in line with current budget expectations.

The dividends received from the property fund have maintained an income of approximately £33,000 per quarter. The yield to the end of June was 4.18%. The valuation of the investment at the end of June was £3,402,054.

Interest payable is currently below budget due to no new borrowing entered into yet.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2021

INVESTMENTS MADE		INVESTMENTS REPAYED	
	£		£
HSBC	4,000,000.00	HSBC	3,000,000.00
HSBC	5,200,000.00	HSBC	3,200,000.00
Goldman Sachs	1,000,000.00	HSBC	1,500,000.00
Goldman Sachs	1,000,000.00	HSBC	3,000,000.00
Goldman Sachs	1,000,000.00		
HSBC	2,000,000.00		
Standard Chartered	1,000,000.00		
Standard Chartered	1,000,000.00		
Standard Chartered	1,000,000.00		
HSBC	3,500,000.00		
TOTAL	20,700,000		10,700,000
		Bfwd	14,289,358
		Paid	20,700,000
		Repaid	10,700,000
		Total	24,289,358
		CCLA	112,696
		Total	24,402,054

Outstanding Investments as at 30 June 2021

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
O	HSBC UK Bank Plc (RFB)	8,000,000	0.01%		Call1		
R	Goldman Sachs International Bank	1,000,000	0.13%	29/04/2021	30/07/2021	92	328
O	HSBC UK Bank Plc (RFB)	2,000,000	0.10%		Call31		
R	Goldman Sachs International Bank	1,000,000	0.16%	29/04/2021	27/08/2021	120	526
R	Goldman Sachs International Bank	1,000,000	0.19%	29/04/2021	24/09/2021	148	770
R	Standard Chartered Bank	1,000,000	0.11%	16/06/2021	29/10/2021	135	407
R	Standard Chartered Bank	1,000,000	0.12%	16/06/2021	26/11/2021	163	536
R	Standard Chartered Bank	1,000,000	0.15%	16/06/2021	24/12/2021	191	785
R	Santander	2,000,000	0.58%		Call180		
R	Santander	3,000,000	0.58%		Call180		
Total Investments		£21,000,000	0.19%			142	£3,352

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
CCLA Property Fund	3,402,054	4.18%	31/07/2014	3,000,000	2,836,896	402,054	13.4%

1. Entry Costs were charged against Treasury Management Budget in 2014/15

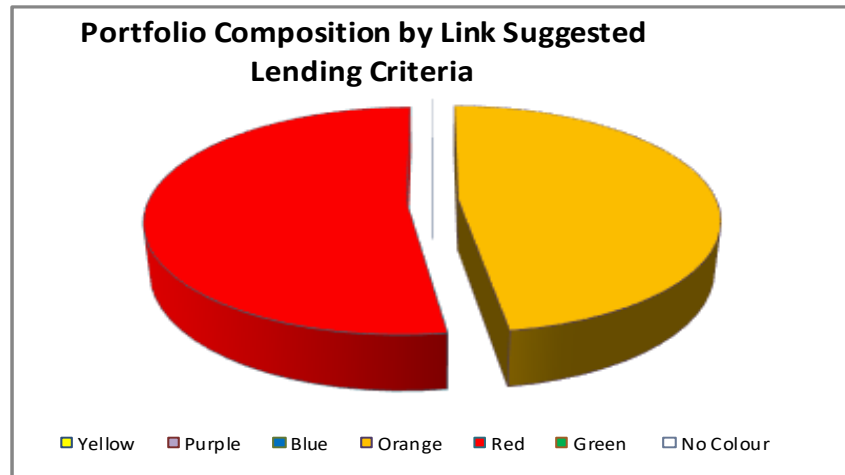
N.B Interest is recognised in the appropriate financial year in which it is due.

Investment Summary

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return (WARoR)	Weighted Average Days to Maturity (WAM)	Weighted Average Days to Maturity from Execution (WAM at Execution)
Yellow	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	47.62%	10,000,000	100.00%	10,000,000	47.62%	0.03%	7	7
Red	52.38%	11,000,000	45.45%	5,000,000	23.81%	0.34%	138	159
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Total	100.00%	21,000,000	71.43%	15,000,000	71.43%	0.19%	76	87

Risk Score for Colour (1 = Low, 7 = High)	Jun-21	Mar-21	Dec-20	Sep-20
1	0.00	0.0	0.2	0.2
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	1.9	2.2	2.1	1.9
5	2.6	2.3	1.3	1.5
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
Average	4.5	4.5	3.6	3.6

	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk Score	3.5	3.5	3.5	3.5

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision-making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they can demonstrate that the

revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2021/22 to date as detailed in the Treasury Management Strategy Statement for 2021/22.

(a) Affordability

	2021/22 Original Estimate £	2021/22 Current £
(i) Capital Expenditure	19,070,400	29,649,200
(ii) Financing Costs Total Financing Costs	458,100	(42,612)
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,848,000	13,848,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	3.24%	(0.31%)
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	12.82	18.54
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	45,100,000	48,100,000
	34,380,000	34,380,000
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2021/22 Original Estimate £	2021/22 Current £
(vii) Operational Borrowing Limit	40,100,000	43,100,000
Maximum Level of Borrowing and Other Long term Liabilities	34,380,000	34,380,000
The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.		
(viii) Capital Financing Requirement (CFR)	39,601,000	40,948,000
As at 31 March		
The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.		

(b) Prudence and Sustainability

	2021/22 Original £
(i) New Borrowing to Date	0
No Long Term Borrowing has been taken in 2021/22 to date	
(ii) Percentage of Fixed Rate Long Term Borrowing	100%
at June 2021	
(iii) Percentage of Variable Rate Long Term Borrowing	0%
at June 2021	
Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	
(iv) Minimum Level of Investments Classified as Specified	50.00%
Level of Specified Investments as at June 2021	100.00%
As part of the Investment Strategy for 2021/22, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	



Report to Audit Committee

Item
A.5

Meeting Date: 24 September 2021
 Portfolio: Finance, Governance and Resources
 Key Decision: Not applicable
 Within Policy and Budget Framework: Yes
 Public / Private: Public

Title: TECHNICAL UPDATE AND CONSULTATION RESPONSES
 Report of: Corporate Director of Finance and Resources.
 Report Number: RD38/21

Purpose / Summary:

This report provides the Audit Committee with an update on technical issues and consultations on financial and auditing subjects.

Recommendations:

The Audit Committee is asked:

- (i) to note the update on Consultations and technical issues, including the Council's responses.

Tracking

Audit Committee	24th September 2021
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. BACKGROUND

- 1.1 This report aims to provide the Audit Committee with an update on technical issues and external consultations relating to any financial or auditing matter of relevance to the Council.
- 1.2 Although the Council is notified of all consultations issued from, for example, MHCLG or CIPFA, not all consultations will be relevant and there will be occasions where the Council does not wish to respond.

2. OPEN/FORTHCOMING CONSULTATIONS

2.1 The Redmond Review – Local Audit Framework (Technical Consultation)

The Committee is reminded that at its March 2021 meeting a detailed report was presented on the outcome of the Redmond Review.

On 28 July 2021, the MHCLG published a further consultation on the following proposals as part of their response to the Redmond Review:

- A new system leader for the local audit framework.
- Proposals to strengthen audit committee arrangements within councils.
- Measures to address ongoing capacity issues on the pipeline of local auditors.
- Action to further consider local audit functions for smaller bodies

System Leadership

Questions 1-14 cover the responsibilities, governance and scope for the proposed new system leader for local audit; ARGA (Audit Reporting and Governance Authority), which, it is proposed, will replace the Financial Reporting Council. The consultation outlined various proposed functions and responsibilities for ARGA including:

- Regulation of local audit
- Monitoring and Review of Local Audit Performance
- Code of Local Audit Practice
- Report on state of local audit

Audit Committee arrangements

The consultation also asks about proposals that would enhance the functions of local audit, including the function of Audit Committees. The proposals would see the development and production of strengthened guidance to support local authorities to manage their audit committee arrangements. This would be delivered through the production of an updated version of CIPFA's existing guidance: Audit Committees: Practical Guidance for Local Authorities and Police (2018 Edition), including the following:

- requirement for an effective committee structure, including how the independence and importance of the committee is maintained, and other matters such as size and term of membership.
- the role of independent members to bring additional knowledge and expertise and support to help them play an effective role.
- support for ensuring the views of the committee are heard, including interactions with and accountability to Full Council and raising the profile of the committee within the body.
- the importance of reporting to all those charged with governance where there are significant issues identified by the Committee (cross referenced to Recommendation 4 of the Redmond Review).
- outlining the core functions of the committee, including good governance, internal and external audit, risk management, value for money, financial reporting and internal control.
- knowledge, expertise and training for committee members, including for both existing and independent members, to ensure they are able to fulfil their functions.
- the facility for auditors to meet privately with representatives from the audit committee or council where appropriate.

The Redmond Review highlighted that there is no statutory requirement to have an Audit Committee and therefore the consultation seeks views on whether this should become a statutory requirement or alternatively, that the expectations around ensuring that local bodies have proper arrangements in place are reinforced by the assessment of the local auditor, given the NAO's new Auditor Guidance Note 03 for the new 2020 Code of Local Audit Practice already makes reference to the Audit Committee.

The consultation also proposes to amend the Accounts and Audit regulations so that Full Council should receive the Auditor's Annual Report, accompanied by a report from the Audit Committee with responses to the Auditor's Annual Report.

Auditor Training and Qualifications

The Redmond Review highlighted evidence of market stress in the supply of appropriately qualified and experienced local authority auditors. Therefore, MHCLG has established a working group to review the current guidance on entry requirements for Key Audit Partners in local audit and to consider what else is possible to ensure that firms with the capacity, skills and experience are not excluded from bidding on local audit work. There are also proposals to support the strengthening of skills and knowledgebase of the sector.

Appendix A details the questions being asked in the consultation. The consultation closed on 22 September and at the time of writing Officers are drafting responses.

2.2 Consultation on Code of Practice 2022/23

CIPFA has opened the consultation on the Code of Practice on LA Accounting in the United Kingdom 2022/23. The consultation closes on 11 October 2021.

The Code of Practice will apply to accounting periods starting on 1 April 2022. The proposed amendments in the 2022/23 Code cover the changes relating to the implementation of *IFRS16 Leases* and standards on which CIPFA/LASAAC wishes to seek stakeholder views.

The Council will be considering the implication of any proposed changes to the Code and the impact it may have on the preparation of the Accounts for 2022/23. Officers are currently assessing the implications of the consultation and will respond to the consultation by the deadline.

3. CLOSED CONSULTATIONS

3.1 The consultations listed below have closed and details are provided as to the Council's response.

3.2 PSAA shaping national scheme for local auditor appointments from April 2023

In June Public Sector Audit Appointments (PSAA) issued their draft prospectus on the future shaping of local auditor appointments from 2023. Local bodies have the option to arrange their own procurement, procure jointly with other bodies, or take advantage of the national collective scheme administered by PSAA. This consultation provided detail of how this national collective scheme would work. The consultation closed on 8 July and the Council's response to the consultation is at **Appendix B**.

PSAA issued their feedback on the consultation responses on 27 August 2021, and this is summarised in **Appendix B**. The new prospectus for the 2023 procurement is likely to be published in late September 2021.

4. CONSULTATION

None

5. CONCLUSION AND RECOMMENDATION

5.1 The Committee is asked to note the update on technical issues and consultations including the Council responses.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

6.1 Sound financial management is a core underpinning of all the priorities of the Council.

Contact Officer: Steven Tickner **Ext:** 7280

Appendices **Appendix A – Local Audit Framework (Technical Consultation) Questions**
Appendix B – PSAA Consultation on appointment of local auditors from 2023 – Council and PSAA responses

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS:

Legal – Any legal implications of the consultations in this report will be dealt with as and when they arise.

Finance – Contained within the report

Equality – None

Information Governance – There are no information governance implications with this report

Property Services – None

Local Audit Framework (Technical Consultation) – Consultation Questions

Question No.	Question
1	Do you agree with the proposed functions which the system leader for local audit needs to enable a joined-up response to challenges and emerging priorities across local audit? Please let us know any comments you have on the proposal.
2	Do you have any comments on the proposed functions that ARGA should have alongside its new system leader responsibilities?
3	Do you agree that the system leader should conduct a full post implementation review to assess whether changes to the Code of Audit Practice have led to more effective external audit consideration of financial resilience and value for money matters two years after its introduction, with an immediate technical review to be conducted by the NAO? Please let us know any comments you have on the proposal.
4	Do you agree with the proposals to ensure that ARGA has sufficient expertise and focus on local audit? Please let us know any comments you have on the proposals.
5	Do you agree with the proposed role and scope of the Liaison Committee? Please let us know any comments you have on the proposal.
6	Do you agree that the responsibilities set out above will enable ARGA to act as an effective system leader for local audit? Are there any other functions you think the system leader for local audit should have?
7	What is your view on the proposed statutory objective for ARGA to act as system leader for local audit? Please include any comments on the proposed wording.
8	Do you agree with the proposal that ARGA will have a responsibility to give regard to the value for money considerations set out in the Local Audit and Accountability Act 2014? Please include any comments on the proposed wording
9	Do you agree that the proposals outlined above will provide an appropriate governance mechanism to ensure that the new system leader has appropriate regard to the government's overarching policy aims without compromising its operational and regulatory independence? Please let us know any comments you have on the proposal.
10	Do you agree that ARGA's annual reporting should include detail both on the state of the local audit market, and ARGA's related activities, but also

Question No.	Question
	summarising the results of audits? Please include any views on other things you think this should include.
11	Do you agree with the proposal outlined above relating to board responsibility for local audit? Please let us know any comments you have on the proposal.
12	Do you agree that ARGA's local audit functions and responsibilities should be funded directly by MHCLG rather than a statutory levy?
13	Do you agree that ARGA should also take on system leader responsibilities for health audit? Please let us know any comments you have on the proposal.
14	If you agree that ARGA should assume system leader responsibilities for health audit, do you think any further measures are required to ensure that there is alignment across the broader system?
15	Do you agree with the government's proposals for maintaining the existing appointing person and opt-in arrangements for principal bodies but with strengthened governance across the system, including with the new system leader? Please let us know any comments you have on the proposal.
16	Do you agree with the proposal for strengthened audit committee guidance? Please let us know any comments you have on the proposal.
17	Do you have any views on whether reliance on auditors to comment and recommend improvement in audit committee arrangements is sufficient, or do you think the Department should take further steps towards making the committee a statutory requirement?
18	Do you agree with the proposals that auditors should be required to present an annual report to Full Council, and that the Audit Committee should also report its responses to the Auditor's report? Please let us know any comments you have on the proposal.
19	Do you have any comments on the proposals for amending Key Audit Partner guidance or addressing concerns raised about skills and training?
20	Are there other changes that might be needed to the Local Audit (Auditor Qualifications and Major Local Audit) Regulations 2014 alongside changes to the FRC's guidance on Key Audit Partners?
21	Are there other changes that we should consider that could help with improving the future pipeline of local auditor supply?
22	Do you have any comments on the proposal to require smaller bodies to publish their budget statements and variance explanations alongside the Annual Governance and Accountability Return to aid transparency for local service users?

Question No.	Question
23	is the current threshold of £6.5 million still right? If you think a different threshold would be more appropriate, please provide evidence to support this.
24	Do you have any comments on the proposal for a requirement for smaller bodies to transfer to the Category 1 authority audit regime only once the threshold has been breached for 3 years in succession?

PSAA Consultation on the draft prospectus for the national scheme for local auditor appointments from April 2023.

N.B. Questions 1 & 2 were responders' contact details.

Question No.	Question	Response	PSAA Response
3	Is PSAA right to prioritise the awarding of new longer-term contracts with firms, based on realistic market bid prices, mitigating the risks of a less than fully successful procurement by holding in reserve the option to extend one or more of the existing audit services contracts for up to two years if required?	Yes – Realistic market prices will demonstrate that firms are resourcing the requirements for audit accurately.	Our intention remains to continue to prioritise new longer-term contracts.
4	Is five years an appropriate term for bodies to sign up to scheme membership?	Yes – It is important to have continuity of audit firms for a period of time to enable knowledge and relationships to be built and to fully understand the client's position.	No change: adopt a five-year appointing period spanning the audits of 2023/24 to 2027/28
5	If five years with an option to extend for up to two years subject to the supplier's agreement an appropriate term for the next audit services contracts?	Yes – It is important to have continuity of audit firms for a period of time to enable knowledge and relationships to be built and to fully understand the client's position.	No change: adopt a contract duration of five years with an option to extend for up to a further two years by mutual agreement. We will seek to use the DPS to support market

Question No.	Question	Response	PSAA Response
			sustainability and address bodies' concerns regarding independence and the need to accommodate merging bodies during the second appointing period.
6	Is PSAA right to evaluate tender submissions on the basis of 80% quality and 20% price to align with market expectations and other recent public audit procurements?	Yes – Audit Quality and the work undertaken, experience and resourcing are important to ensure thorough audits are performed	No change: evaluate tender submissions on the basis an 80% weighting for the quality aspects of tender responses, including social value, and 20% weighting for price. PSAA will seek the views of the FRC to inform the development of our approach to the evaluation of quality. In due course we will also consider how we can best share details of our approach with eligible bodies.
7	Is PSAA right to seek to encourage market sustainability within the local audit market by accepting bids from firms that are currently proceeding through the local audit registration process; by accepting consortia bids which may involve an unregistered firm gaining experience by working alongside a registered firm; and by considering the	Maybe, subject to - Encouraging new entrants into the market will help build sustainability, reduce reliance on big audit firms and provide potential for smaller firms to enter the market. However, the most important aspect is that the firm awarded the contract should be knowledgeable about local government	No change: implement arrangements with a strong focus on market sustainability. PSAA will seek the support of the ICAEW to facilitate the exploratory discussions between interested experienced suppliers and potential new entrants.

Question No.	Question	Response	PSAA Response
	inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market?	finance, have experience and have capacity to deliver within the set timescales.	
8	Is PSAA's proposed approach to social value appropriate given the services to be procured will be delivered across the whole of England? Are there any alternative approaches that should be considered?	Yes – Adding a requirement to develop and recruit apprentices for future commitment to local audit seems to be reasonable.	PSAA will review its proposal including seeking the views of MHCLG and the LGA
9	Is PSAA right to carry out research and to consider setting a minimum audit fee in the next appointing period, recognising the increasing level of audit work now required and the risk that smaller scale fees may not be sufficient to cover the actual cost of the audit? What would be the key issues for PSAA to consider in the event that it opts to set a minimum fee for a Code-compliant audit?	Yes	The PSAA Board at its September meeting will consider the potential to introduce a minimum fee based on the outcome of the independent research undertaken. If a minimum fee is to be introduced, the reasoning and arrangements will be explained in the prospectus.
10	In the context of the recent NAO report, should PSAA and other market participants strive to prioritise the timeliness of audit opinions in the next appointing period? What actions should PSAA or other market participants take in order to avoid delayed opinions blighting the next period?	Yes – A large inhibitor to the delay of Opinions is audit firms having the sufficient resources to deliver the audits in the prescribed timescales.	We will take the feedback on capacity into account when designing the quality evaluation questions and seek the support and advice of the FRC. We recognise that acting alone

Question No.	Question	Response	PSAA Response
			PSAA can have limited impact on these issues. We will therefore continue to collaborate with partners and to urge a system-wide response aimed at delivering improvements.
11	Which specific benefits of the national scheme are most valuable to you? Are there other benefits we should strive to develop?	Being in an area where there are geographical barriers to recruiting a local auditor and risk not being able to procure locally due to this geography.	We will develop a series of short, single topic focused webinars during the Autumn/Winter period aimed at S151 Officers and Audit Committee Chairs with the aim of furthering understanding of PSAA's role and remit, specific areas of its work highlighted by consultation feedback and the wider local audit framework.
12	What are the key issues which will influence your decision about scheme membership for the second appointing period?	Ensuring value for money and the appointment of a competent auditor.	We will take the feedback into account when developing the detailed terms of the new audit services contracts. Importantly we will continue to communicate that PSAA is unable to address these issues on its own, highlight the challenges to other stakeholders in the local audit system and play an active role in a system-wide

Question No.	Question	Response	PSAA Response
			response aimed at delivering improvements.
13	To inform the further development of our procurement approach, please indicate whether or not you anticipate that your organisation is likely to opt into our scheme?	Yes	

